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# FINANCIAL TIMES

Europe's Business Newspaper MONDAY JULY 4 1994

# French troops under fire from rebels in Rwanda

French marine commandos came under fire from Rwanda Patriotic Front fighters for the first time yesterday as they evacuated nuns and orphans from Butare. The besieged town is at a strategically important junction, and the brief exchange of fire underscores the difficulty of the French mandate to protect civilians while not intervening in the conflict. Page 4

United Friendly, UK life and general insurance company, has started legal action over its purchase from American Express of Acuma, the UK pension financial consulting and life insurance company. United wants an independent expert appointed to rule how much it should pay for Acuma. Page 18

Jett blames smear campaign: Joseph Jett, sacked from Kidder Peabody in April after allegedly mounting a \$350m trading scam, hit back at his former employer and its parent, General Electric. They depicted me as being an urban black criminal," Mr Jett says. Page 17



Sampras victorious: Number one seed Pete Sampras of the US (left) beat Croatia's Goran Ivanisevic in straight sets to take his second consecutive Wimbledon singles title. The final score was 7-6, 7-6, 6-0, with a £345,000 prize for the champion and £172,000 for Ivanisevic.

Management and unions at Germany's post and telecoms service agreed a pay and benefits package at the weekend, clearing the last hurdle to privatisation. The service, which employs 670,000 people, will be turned into three companies. Page 16

Votes to be made public: The Council of Ministers, where European Union member states decide laws in secret, is for the first time to compile a central, public record of how ministers vote. The policy change comes after pressure for such information from the Financial Times. Page 16

Kurds turn on police: Militant Kurds attacked police stations across Germany in apparently co-ordinated retaliation for the killing of a Turkish Kurd teenager by a policeman last week.

European Monetary Systems The week featured further weakness of the US dollar, which bolstered safe haven currencies like the D-Mark and the Swiss franc. There was no change in the order of currencies in the EMS grid. The spread between the strongest and weakest currencies was marginally narrower at 4.90 per cent. Currencies, Page 27

EMS: Grid

July 1, 1994 Irish Punt B.Franc D-Mark F.Franc D.Kroeit

The chart shows the member currencies of the exchange rate mechanism measured against the uscokest currency in the system. Most of the currencics can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 3.25 per cent band.

Cambodian coup attempt: Former Cambodian interior minister Gen Sin Song was arrested and former deputy premier Prince Norodom Chakrapong flown out of the country after an alleged overnight coup attempt. Page 4

Migerian protest strike: Nigerian oil workers said they would go ahead with a strike today to demand the release of Mosbood Abiola, undeclared winner of last June's presidential poll, which was scrapped.

No sign of missing children: English detectives were still hunting the abductor of a newborn baby girl taken from a Midlands hospital on Friday. Meanwhile hopes were fading of finding Rosle Palmer, three, who disappeared on Thursday after buying an ice lolly near her home in northeast

Eurotunnel seems unlikely to find out about the alleged downward manipulation of its share price before the pricing of its £858m (\$1.32bn) rights issue because of French secrecy laws.

Colombians mourn murdered footballer: Tens of thousands of mourners filed past the coffin of soccer player Andres Escobar, who was murdered for scoring an own goal in the World Cup. President Cesar Gaviria and Colombia's World Cup playors planned to attend the funeral.

Goddess loses arm: Madrid's landmark statue, the goddess Cibiles, lost an arm during drunken celebrations after Spain's World Cup victory over Switzerland, World Cup, Page 8

French Grand Prix went to Germany's Michael Schumacher in a Benetton-Ford. Briton Nigel Mansell, returning to Formula One racing, dropped out after 46 laps. Damon Hill of Britain was more than 12 seconds behind the winner.

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# Berlusconi risks Bank of Italy row

By Robert Graham in Rome

The Italian government has signalled its determination to control key appointments at the Bank of Italy, bringing into the open a long-simmering debate over the bank's independence.

The government's position was made public after the central bank's higher council, the body formally responsible for making the top appointments, failed to reach agreement last Thursday on a successor to Mr Lamberto Dini, who stepped down as director general in May

to become treasury minister. The tough line adopted by Mr Silvio Berlusconi, the prime minister, risks another institutional confrontation simiar to that which occured last week over the right to hire and fire the board of the RAI, the state broadcasting corporation.

Italian government determination to control key staff appointments raises threat to central bank autonomy

Mr Berlusconi, owner of the main commercial television channels, achieved his objective at the RAI after a bruising battle with President Oscar Luigi Scal-

Until now the battle over the succession to Mr Dini in the number two position at the Bank of Italy has been fought behind closed doors. But on Friday the prime minister's office put out a statement asserting the government's right to control appointments to the central

bank's four-person directorate. The statement said: "The Bank's autonomy cannot be confused with the

power to make nominations for senior positions - a power which in all industrialised countries (including those central banks regarded as having the maximum of autonomy like the German Bundesbank and the US Federal Reserve) is vested in the executive."

According to a mix of law and tradition, after any directorate appointment is made by the 13-strong higher council - composed of the bank's regional office chairmen - it must be confirmed by the head of state in conjunction with the prime minister and the treasury minister. The government can thus claim to be acting within the margins of its authority.

Although the Bank of Italy has declined to enter the controversy in public, its officials are concerned that the Dini succession will be equated with that of the RAL in particular, Mr Tommaso Padoa Schioppa, the deputy direc-tor general who is technically in line for the job, has been portrayed by both the populist Northern League and by the neo-fascist MSI as an unacceptable left-wing economist. Within the bank and among his European colleagues he

cians on monetary issues. The problem of the succession has been caused in part by the way in which Mr Dini was deliberately passed over for the gover-norship in May last year when Mr Carlo Assello Cianni moved to become prime Azeglio Ciampi moved to become prime minister. The job went to Mr Antonio Fazio, the deputy director general.

Mr Dini and his supporters have made it known they do not wish to see Mr Padoa-Schioppa as the number two and would prefer an outsider like Mr Rainer Masera, a liberal economist and current head of IMI, the state-controlled finance

The Bank of Italy is fiercely resisting the imposition of an outsider. The latest compromise suggested is that Mr Vincenzo Desario, the current second deputy director general, assume the number

# Israeli demonstrators fight police Backing for PLO leader's homecoming

# Arafat joins Rabin to defend peace accord

By Julian Ozanno in Jerusalem

Mr Yassir Arafat, Palestinian leader, and Mr Yitzhak Rabin, Israeli prime minister, united yesterday in strongly defending their peace agreement against its opponents on both sides of the Arab-Israeli divide.

Mr Arafat, on the third day of his triumphant homecoming to the Gaza Strip, warned people not to heed opponents of the Pal-estinian-Israeli peace accord.

"Peace has many enemies and there are many attempts to sabotage and destroy the peace of the brave," he said. "This is why we are all requested to defend this peace because this peace is for all of us - Israelis and Palestinians."

Mr Rabin echoed the PLO chairman's remarks and attacked rightwing demonstrators protesting against Mr Arafat's landmark visit to Gaza. He said he supported the Palestinian leader's homecoming and promised to strengthen the peace with Pales-

"The process will continue,"

Mr Rabin said in a hard-hitting speech to members of his ruling Labour party after hundreds of Israeli protesters clashed with police in Jerusalem in a third day of rightwing demonstrations against the PLO leader's visit. "We have an interest in strengthening the elements among the Palestinians who want the

accord." said Mr Rahin. The joint defence of the peace process came as Mr Arafat plunged into the job of running the shattered Gaza Strip, forging ties with his impoverished people and pledging to expand Palestin-ian self-rule quickly from Gaza-

Jericho across the rest of the

West Bank. In Gaza City Mr Arafat sought to demonstrate his concern about the deep economic troubles facing the 850,000 mostly jobless residents of the strip, inaugurating a citrus juice factory funded by for-

Mr Arafat made the visit after criticising international donors for the delay in releasing millions of dollars of promised assistance and described the situation in Gazz as close to "starvation".

The veteran guerrilla turned peacemaker, who returned last Friday after 27 years in exile, also said he wanted Israel to pull its forces out of Palestinian towns in the West Bank by August.

Mr Riyad al-Zaanoun, Palestin-ian health minister, said Mr Arafat, who is to meet Mr Rabin in Paris on Wednesday, will press for a speeding up of the next phase of the PLO-Israeli peace agreement: the extension of Palestinian self-rule to the rest of the west Bank.

Under the agreement, Israeli forces must redeploy out of Pales-tinian population centres in the



Police try to prevent right-wing Israell demonstrators from forcing open the Damascus Gate to

west Bank three months after the start of self-rule in Gaza-Jericho and before the holding of Palestinian elections now expected on October 15.

The PLO also said Mr Arafat would visit Jericho to swear in his 24-member national authority or "cabinet" and meet residents of the west Bank tomorrow, a

day later than planned.
Officials said Mr Arafat had

delayed the Jericho visit to spend more time in Gaza and make security preparations in the light of planned Israeli demonstrations intended to disrupt his trip to the capital of the Palestinian self-rule

At a tent pitched opposite Mr Rabin's office, demonstrators blew whistles, banged on cooking pots and shouted anti-govern-

Continued on Page 16 Observer, Page 15

# The City calls for economic strategy

By John Willman, Public Policy Editor

The Corporation of London, the City's local authority, has commissioned consultants to draw up the first economic development strategy for the capital's financial district.

The aim is to identify opportunities for attracting new businesses to the City while maintaining its position as one of the world's three leading financial

The Square Mile faces growing competition from other European cities such as Parts and Frankfurt, as well as UK cities that have economic development organisations working to attract new busines

Corporation leaders believe there is a danger that the City may become over-dependent on financial services, where the markets are mature and scope for further growth is restricted. The strategy will be formulated by consultants from Coopers & Lybrand, the accountants.

which won the contract against competition from six other bid-It is expected to be completed by the autumn, providing a candid assessment of the City's shortcomings as a place to do

business. Among potential

Continued on Page 16

# Brussels move to exempt Ireland from debt rules

The European Commission has proposed to exempt ireland from the tough rules of the Maastricht Treaty on government debt, offer-ing hope to other debt-laden member states such as Belgium and Italy that they may receive similar leniency.

The Commission's move, at a meeting last week of the EU's secretive monetary committee, might turn out to be a test of Commission powers under the Maastricht Treaty. If it succeeds, the Commission might create a precedent making it easier for countries with bigger debt prob-lems eventually to become full members of Europe's planned economic and monetary union.

Commission representatives surprised senior finance ministry and central bank officials representing EU governments by proposing to exempt Ireland from the "excessive deficit" rules of Maastricht even though Ireland's debt as a percentage of gross domestic product is well above the treaty's guidelines.

Although it is unlikely that Emu will be achieved by 1997 or 1999, the two dates named in the

preparing for the advent of the single currency and European central bank

As part of the preparatory secand stage of Emu, which began in January, EU countries have started working with the proce-dure laid down in the Treaty to control, and if possible reduce, their large fiscal deficits.

At present, only Luxembourg meets the two Maastricht Treaty deficit criteria of having an annual budget deficit of less than 3 per cent of gross domestic product and an overall debt of less than 60 per cent of gross domes-

But at a meeting of the mone-tary committee last Tuesday, Mr Giovanni Ravasio, the Commission representative, said it planned not to submit a report to the EU council of ministers naming Ireland as an excessive deficit country. If the commission sticks to its plan, it will mean that ministers in the council will have no basis for deciding whether Ireland should be treated as having an excessive deficit. Ireland could therefore be considered as having the right economic quali-

fications for Emu. Ireland has made strenuous

CONTENTS

TV and Rado .

efforts to bring its deficits under control, pushing its annual bud-get deficits below 2.5 per cent of GDP in recent years. But its stock of debt, at around 90 per cent of GDP, has proved less easy

Germany and some other EU

member countries fear that any softening of the criteria for Ireland could open the door to Emu for other countries with bigger economic problems. For example, Belgium, with a debt-to-GDP ratio of more than 120 per cent and a forecast budget deficit of 5.4 per cent of GDP this year, wants to be a founder member of Emu even though economists believe it has little chance of reducing its debt-to-GDP ratio to

the Maastricht level this century. It is unclear whether Mr Ravasio was acting with the full backing of the Commission when he said that it would not submit a report on Ireland. It is understood that the Commission still has to discuss the excessive-deficit procedure and its approach to the various member states.

if the Commission stands by Mr Ravasio, it is likely that goveroments will want to re-interpret the treaty so that ministers can discuss cases such as Ireland.

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LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

# Skandia to boycott Swedish state bonds

Concern about Sweden's shaky public finances yesterday rose as Skandia, one of the country's top two insurance groups. sald it had stopped buying government bonds in protest at the continuing rise in state

The announcement by Mr. Björn Wolrath, Skandia's chief executive, jolted Stockholm's financial markets, already in bearish mood. Five-year bond yields moved up sharply to almost 10 per cent, the Swedish krona fell against leading currencies and the Stockholm stock exchange fell 2 per cent.

Skandia will not buy Swedish [state] bonds until such time as the politicians, in a credible way, begin to take debt." Mr Wolrath said. "I really do not feel that I have a mandate from [Skandia's] ownbonds, considering the big risk that implies today."

Sweden has the fastest growing debt among Organisation for Economic Co-operation and Development member countries - fuelled by a budget deficit that reached 13 per cent of gross national product last ear. State debt stood at SKrl.132bn (£95.9m), or about 80 per cent of GNP, at the end of 1993, and is still rising, despite a return to economic

growth this year. The Skandia group holds about SKr50hn in state bonds. about one third of those held by the insurance sector, which in turn held almost 12 per cent of state debt at the end of last year. Executives said Skandia would sell some of its portfolio. Senior officials at the Finance Ministry said they did not expect any short-term problems for the government

Two rival insurance groups. Trygg Hansa and Polksam,

trade in government bonds. But the Skandia boycott showing foreign investors were net sellers of Swedish bonds to the tune of SKr10.6bn in May. Stockholm County Council alen said it was withdrawing from the market. Mr Carl Bildt, premier,

quickly issued a statement which came close to endorsing Skandia's move. He sought to shift the onus on to the Social Democrats, whose loyalty to the huge welfare state has raised market fears that they will duck necessary cuts in the public sector.

Last night, Mr Goran Persson, the economic spokesman for the Social Democrats. called for a special session of parliament's finance committee to discuss the issue.

Curbs imposed on Bosporus traffic despite protests

# Turks defy Russia on shipping

Turkey was vesterday set on a possible collision course with Russia, after unilaterally imposing new shipping regulations for the Bosporus and Dar-

Russia and other Black Ses. states claim the rules are in breach of international treaties. Russia, Greece, Cyprus, Ukraine, Romania and Bulgaria have all publicly pro-Under the new rules ships

must forewarn Turkish port authorities of their cargo and vessels more than 150 metres long must seek permission to go through the straits that divide Europe and Asia. The straits are a vital trade route for Russia and newly ndependent Black Sea states.

However, Turkey has mounted a diplomatic campaign to win international support for the measures on safety grounds. It fears the projected

central Asian oil finds come on stream, will be an environmen tal and navigational threat, a point underscored by a collision in March in which more than 20 people died.

Congestion is likely to increase after the opening of the Danube-Main canal system linking the Black Sea to the

According to minutes from a meeting in May of the International Maritime Organisation, the London-based United Nations body that handles other states argued that the Turkish proposals contravened the 1936 Montreux Convention which guarantees unhindered passage for merchant vessels

The IMO said yesterday Turkey's regulations were national laws and had no international application.

Western diplomats are waiting to see if the Turks apply them to foreign-flagged Greece want Turkey to support international action within the

IMO to deal with safety conmented, could result in costly delays in shipping oil through the straits, currently the main cerns. In May, the IMO's maritime safety committee recommended more modest changes, route for Russian and central including introduction of traf-Asian oil exports, and persuade oil concerns to look more fic separation lanes and a requirement that ships over favourably on Turkey's pro-200 metres long go through the

straits during daylight. Both measures take effect in Novem-Shipping experts say the long-term worry is that if left unchallenged, Turkey's action may set a legal precedent and provide Ankara with discretionary powers to impede ship-Yugoslavia.
But the danger is that Tur-Greek officials confirm that

key, in pursuing commercial gains, is hampering efforts to in April a Greek-registered tanker, the Olympic Armour, was prevented from going through the straits because it deepen trade ties with the was too long. Turkey clearly also has a Co-operation (BSEC) organisacommercial motivation. It is keen to see western oil compa-nies in central Asia use a pro-

The new rules, if imple-

Dinlomats say the disagree ment underscores wider differences with Russia over regional policy. Turkey is at loggerheads with Moscow on a range of issues from Russian peacekeepers in the Caucasus and central Asia, to Moscow's diplomatic role in former

the Black Sea Economic tion, in which Ankara has been the driving force. High-level discussions - including a Turk-



ish-Russian meeting on Thurs day at the BSEC foreign minis ters' conference in the Georgian capital, Tbilisi - have provided no breakthrough.

# West Germany's production falls

By Quentin Peel in Bonn

Industrial production in west Germany fell by a provision-ally estimated 0.7 per cent in May, tempering hopes of a rapid economic recovery, and confirming expectations of a new slowdown in consumer

The figure published by the federal statistics office coincided with a recalculation of April's industrial production growth, reducing the initial estimate of a 2.5 per cent increase to just 1.3 per cent.

The May figure was the first monthly drop this year, and the underlying trend remains clearly positive. However it follows a sharp fall in retail sales in April - down a real 5 per cent - as the combined effects of tax rises and wage restraint have squeezed disposable

The sharpest drop in output in May was for consumer goods, down 2.8 per cent, and

capital goods, down 1.9 per cent. Overall manufacturing production was down 0.8 per

Analysts described yesterday's figures as "slightly disappointing", but most doubt they will have any effect on the Bundesbank's monetary policy.

yesterday that the markets might still speculate on a pos-sible cut at the central bank council meeting next Thursday, because of the coincidence of the G7 meeting in Naples, and the confirmation of an apparent slowdown in the pace of recovery. Moreover, the bank could be

strengthening D-Mark might undermine the classic exportled recovery still under way. Mr Hans Tietmeyer, the Bundesbank president, said this week that a "significant" move in interest rates at this time would not be "appropri-

influenced by fears that the



New German President Roman Herzog (left) takes the oath of office during his inauguration yesterday in Berlin's Reichstag building. He used his inaugural address to urge tolerance and greater civil courage in the population to resist violence against

# office By Paul Betts, European Airbus consortium is expected to decide in two weeks when to pursue flight tests on the A330 airliner powered with US Pratt

# FT Exporter Survey. Thursday, July 7.

On Thursday, July 7 the Financial Times will publish FT Exporter, a 24 page quarterly review providing comprehensive, up to the minute news and information for exporters. it will give expert analysis of developments in world trade following the signature

of the GATT agreement. And it will look at those areas which may pose some unexpected difficulties for

If your business is serious about succeeding in overseas markets make sure you buy the FT on Thursday, July 7.

Financial Times. Europe's Business Newspaper.

# Airbus to rethink test flights after fatal A330 crash

& Whitney engines, following Thursday's crash at Toulouse in which seven crew died.

The new compulsory tests for the aircraft's all-weather landing capability will be conducted at less extreme conditions to see if the consortium needs to modify the aircraft's autopilot system, being tested at the time of the accident.

Airbus said yesterday there appeared to be no need to modify the system at this sta The accident occurred under conditions not normally experienced during routine commercial airline service.

The flight was part of the certification requirements for A330 powered with US Pratt & Whitney PW4168 engines. The same tests had been successfully carried out with the US General Electric CF6-80E-powered A330, which is already in service with Air Inter, the French carrier, and Aer Lingus

Airbus said the crew performed planned manoeuvres immediately after take-off on Thursday: capture of an exceptionally high angle of climb of 28 degrees to fly at a deliber-

ately low speed (by comparison a commercial airliner is nornally limited to an angle of 18 degrees); engagement of the autopilot; simulation of an engine failure (in this case the left engine) by bringing it to idle, and cutting off the related hydraulic circuit.

The combination of the simulated engine failure and the high angle of climb induced a loss of lateral control at 400 metres. "This altitude did not allow the crew, which regained control of the plane, to avoid impact with the ground," said Mr Jean Pierson, the Airbus chief executive.

The commercial implications of the crash are difficult to evaluate. It was the first time an Airbus has crashed during tests. Mr Pierson yesterday noted that sales of the narrowers had doubled since an A320

crash in 1988. In the last 20 years, 10 Airbus airliners have crashed, but Airbus's safety record is better than the industry average, which since 1979 has been one passenger death for every mil-lion take-offs. In Airbus' case, the average has been 0.73

deaths. However, Airbus has had a particularly bad run of accidents this year, including the crash of a China Airlines A300-600 at Nagoya airport in Japan and of an Aeroflot A310 in

# Romania vote fails

Romania's left-wing minority government has survived its fifth no confidence motion since taking office in November 1992,

writes Virginia Marsh from Bucharest.

The opposition brought the motion on grounds that the government's economic policies had failed, it had violated the constitution and many of its members were corrupt. Opinion polls show that 74 per cent of the public do not think it is doing a good job. The opposition has also begun moves to impeach President Ion Iliescu. Parliament is due to debate the Issue next week.

# Claes may face court

Mr Willy Claes, Belgian foreign minister, could be summoned to the high court to answer questions in the Inusop affair, involving the alleged serret funding of political parties, writes Emma Tucker from Brussels.

Mr Charles Nothomb, speaker of the parliament, said a commit-tee of deputies would decide whether the Inusop evidence was serious enough to merit lifting Mr Claes' parliamentary humanity. Mr Philippe Moureaux, a former socialist minister, and Mr Guy Coemē, former deputy premier, may also face questioning.

# D'Alema chosen to lead Italy's ex-communists

By Robert Graham in Rome

Italy's former communist Party of the Democratic Left (PDS) yesterday elected Mr Massimo D'Alema, to succeed Mr Achille Occhetto as leader.

Mr D'Alema has been the party's number two and heir apparent. But Mr Occhetto nself and a large section of the grass-roots in the PDS favoured Mr Walter Veltroni, his rival, who edits L'Unita,

the party daily.
The PDS is the largest partiamentary party. It is the acknowledged leader and organisational force for the five main groupings that form the left-wing opposition.
But Mr D'Alema now faces a

difficult task in rejuvenating the party and making it appeal to a broader section of the elec-torate. He is highly regarded as an astute political operator and a good diplomat. However, his detractors regard him as formed too much in the old school of the Italian Communist party (PCI) with its doctrinaire approach to issues and blind faith in organisation.

Mr D'Alema began his politi-

cal life in the PCI's youth wing in 1963, working his way up through editorship of L'Unita. Although he was the recognised heir, it was only this week that Mr Occhetto revealed the full extent of his disagreement with Mr D'A-

In yesterday's meeting of the party's national council, the balance narrowly swung in favour of Mr D'Alema. However, grass-roots members clearly saw Mr Veltroni, with his boyish charm and open admiration for the American way of life, as more presentable and "modern" - the Italian version of US President Bill Clinton, or Mr Tony Blair, aspiring to Britain's Labour

The election of Mr D'Alema does not solve the broader issue of who leads the left. Critics such as Mr Massimo Cacciari, the influential mayor of Vehice, argue that the left must be led by someone not directly linked to the PDS. The PDS, Mr Cacciari claims, remains to wedded to the old communist structure, and as

# PM rules the airwaves

How Berlusconi won control of broadcasting, by Robert Graham

he Berlusconi govern-ment has achieved its objective in the battle to control the future of the RAL Italy's broadcasting organisation, at the expense of a bruising battle with President Oscar Luigi Scalfaro.

Yesterday the Official Gazette published a decree on the RAL rewritten to accommodate the reservations of Mr Scalfaro. The president had refused for 24 hours to sign the original decree because it gave the government the direct power both to reject the RAT's accounts and to fire the board. Now the power of appointing the board has been placed back with the speakers of the two houses. It so happens that the speakers both represent the right-wing government coalition. However, Mr Scalfaro insisted to the limits of his weak constitutional authority

that the power be formally in the hands of parliament rather than directly with the government. He has achieved a moral victory but he has not endeared himself to Mr Berlusconi and co-operation, already previously strained, will in future be difficult The net effect of the rewrit-

ten decree is the same as its original. Mr Silvio Berlusconi, the media magnate turned prime minister, can now exercise control over the RAL He also continues to be the owner of the Fininvest empire, which controls over 80 per cent of commercial television.

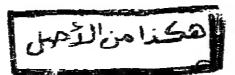
No one disputes the need to reform the RAI, which operates three television channels and a network of radio stations. It was constructed to accommodate the old system of political parties, with the Christian Democrats controlling the first channel, the Socialists the second and the former communist PDS the third. The RAI was also on the point of bank-ruptcy, with losses in 1993 of However, the affair has been badly handled. Mr Berlusconi and his ministers say the RAI was biased against them. This was true during the election campaign; it acted as a counterweight to the huge proaganda effort of the three Berlusconi channels. But lately the news programmes on RAI have become almost servile in

support of Mr Berlusconi. Only Channel Three is still openly critical and last Sunday earned itself further opprobrium by screening a film in which Mr Berlusconi's current wife, Veronica Lario, plays a part in a lesbian love affair. Meanwhile, Fininvest channels remain firmly behind the government, with Network Four's presenter Emilio Fede a salf-confessed apologist.

t thus looks as though Mr Berlusconi has yielded to L the temptation of many a government to control the media. But in this case the issue is broader because of the potential conflict of interest with his ownership of Fin-

The problem is further complicated with the financial position of the RAL If its funding is now pruned, as promised, it will have reduced scope to operate. Fininvest stands to benefit from this since it has been competing on exactly the same terms as the state channels in both programmes and salaries. If the RAI spends less, so will Fininvest, which is also strapped for cash.

The government also needs to decide whether the RAI moves to enter the multi-media era, on which considerable investments have been spent and good technology acquired. It also has to decide if the RAI can operate pay-TV. In either case, the removal of the RAI from these areas of business leaves the field free for competition, which can only benefit



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# Furopean Shokhin would like \$2bn in loans. This time, will deeds make works. Russians hopeful for G7 summit Such a provision is "certainly an tenus that is soing to be discussed, and can conclude a standby arrangement can conclude a standby arrangement of the world Bank's lending commitments to developing commitments in the year to June solve with the fluir in March and standby agreement signed with the fluir in March and standby ag

Seven summit in Naples will yield smaller headlines but larger real support than it has received in the last two years - when vast sums were pledged at G7 summits but much less delivered. Mr Alexander Shokhin, deputy prime

minister for the economy, said on Friday that Russia might gain access to as much as \$2bn (£1.3bn) in extra loans this year - if the summit approved plans for the International Monetary Fund to allocate some of its own reserve asset known as the special drawing right (SDR) to developing countries and former Communist "economies in transition".

The IMF board meets in Washington on Wednesday to discuss the SDR question. But monetary officials in Washington and leading west European capitals were uncertain whether there would be a consensus for an SDR allocation in time for the summit.

There is general agreement among G7 countries that present arrangements are unfair to 37 recent Fund members such as Russia, which have never received an allocation of SDRs. But it remains unclear whether the IMF's 178 members can overcome the technical and political complexities holding up an early provision of SDRs to Russia and

would provide non-inflationary support for the budget and was urgently needed if Russia's political and economic reforms were to continue. While inflation had fallen further - to 6 per cent a month in June - production would continue to decline, albeit more slowly than the 25 per cent rate in the first part of the year, he warned.

He also said Russia still had to construct an economic climate in which capital would be attracted back to the country from the west.

Progress on inflation, cutting credits and raising interest rates to strongly positive levels has won praise from the IMF and of the financial community generally, and opened Russia to big IMF and World Bank loans. However, huge debts, pressures on the budget and the gradually worsening political atmosphere make western officials nervous of the future, and doubtful that a pro-gramme to stabilise Russia's economy and currency will be feasible this year though that remains the official goal.
 But US officials insist that "on Rus-

sia, there is not going to be a pledging session this year". They say \$30bn of the \$43bn promised to Russia at last year's summit is already approved by G7 governments and the international financial institutions. Of the remaining

The SDR question has been on the international agenda for several years. But discussions so far have yielded no results because G7 members, led by Germany, have been unable to agree to a general SDR allocation to all IMF members along the lines of a SDR36bn (£33.8bn) issue proposed by Mr Michel Camdessus, the IMF managing director.

Until now, a selective "catch-up" increase has been ruled out because it would need an amendment to the IMF articles, entailing approval by holders of 85 per cent the IMF's membership votes and backing from the US Congress. The Fund is understood to have ted a blend of general and selective SDR issues.

Looking ahead to Naples, Mr Shokhin, now the longest-serving Rus-sian minister and generally seen as a moderate reformer, laid most stress on Russia's access to the "political G8" when the G7 admits Russia to talks on general political issues next Sunday. Russia will remain out of Saturday's "economic G7", which will discuss world economic problems.

He said that this "step-by-step approach" was in Russia's interests though he forecast that it would become involved in a range of economic

month of June from 8-9 per cent over

the first five months of this year, Mr

Gerashchenko said he expected a period

of economic stability for the rest of the

summer but some tension in the

autumn, traditionally a time of pressure

on government spending and prices.

Expressing scepticism about the government's ability to stick to the tough

budget limits drawn up to conform with

said, \$140bn by developing countries. sian goods in the US alone.



Shokhin: looking to "political G8"

to be heard. He said the Paris Club of creditor nations, at which Russia now appears as a debtor, should recognise it o as a creditor - since it is owed, he Mr Shokhin also made clear that he would push hard for further openings in markets the Russians still see as closed or only partly open to their goods. "It's hard to reconcile declarations about partnership with discriminatory measures towards the Russian economy." he said, instancing 260 discriminatory regulations against Rus-

ments to Africa was unchanged at \$2.8bn. The bank said it was extending support for economic reform and protection of social services targeted at the poor in franco-phone Africa, in the wake of the devaluation by the CFA foreign exchange programme East Asian and Pacific countries saw an increase in com-

International Monetary Fund.

Chad has standby deal problems Chad is already having problems meeting the terms of a new standby agreement signed with the IMF in March and risks

suspension at the mid-term review in September unless it can

"In reality there is a risk," said Mr Albert Pahimi, finance

A 50 per cent devaluation of the CFA franc last January hit the

landlocked central African country hardest of all the franc zone

members, economists say. "We accepted devaluation at Dakar

out of solidarity," Mr Pahimi said yesterday. "In Chad the CFA

franc was overvalued by only about 20 per cent." Since devalua-

tion, inflation has soured to 54 per cent, according to World Bank figures.

foods and petroleum products. A key pillar of the standby

agreement was an increase in customs receipts, which Mr

The country's main export is cotton, and it has to import basic

increase customs receipts, Reuter reports from N djamena.

required the balance of payments support from the bank that has normally accompan-The four sectors in the region ied reform programmes.

More funds have also been receiving the most support were transport, agriculture. power and education, the bank available from the regional development banks following said, with an emphasis on sustainable development. Commitments to Latin

replenishment of their resources, the officials said. Within the totals, the level of America fell to \$4.7bn from

Pahimi said were not keeping pace with targets set by the beyond the need for large structural adjustment loans. South Asia also got less, with commitments dropping to \$2.4bn from \$3.4bn. The bank noted that India had continued its economic reform programme and strengthened its

> and no longer required loans to pay for its imports. George Graham adds: The Republic of Congo has paid up all of its \$101m in arrears to the World Bank and the IDA. Congo had been more than six months overdue on its payments to the World Bank since 1991. By clearing its arrears. Congo becomes eligible for new

# Gerashchenko wants amnesty to attract investment capital back

By Anthony Robinson

Mr Victor Gerashchenko, chairman of the Russian central bank, believes an amnesty should be prepared to attract Russian flight capital back into productive investment in the country. The Russian Finance Ministry estimates that \$15hn-\$20hn has flowed out of Russin illegally in each of the last two

years, he added. Mr Gerashchenko, who faced fierce criticism from reformers last year but survived calls for his removal, said in an interview, "The Russian 'new class' understands that opportunities exist for profitable investment in Russia. But they want certain tax and investment incentives and guarantees that nobody will enquire too closely into the prove-

nance of the repatriated funds," "I say 'yes' to an amnesty. Why not? to between 6.5 and 7 per cent in the

What will we obtain through making unnecessary enquiries which require much difficult work, will not obtain useful results and will certainly not create a good environment for invest-

Mr Gerashchenko, who remains sceptical about the efficacy of monetary policy in a country with inadequate financial instruments at the command of the monetary authorities, now acknowledges the importance of positive real interest rates in attracting savings and underpinning the rouble. "Six months ago many citizens were buying foreign currencies to try to preserve the value of their money. Now they receive positive interest rates from rouble accounts with the Russian commercial banks and prefer to keep their funds there."

Predicting that inflation would drop

IMF performance targets, he said the main problem was the inability to col-

lect taxes. "There is a large grey economy and the government cannot collect taxes in full. That is why the 1994 budget law does not satisfy us much. Parliament continues to impose spending obligations which we cannot fulfil, although we are hoping to be able to issue more Treasury bills to raise revenue in the last quarter," he said. Western tax experts have warned the



Gerashchenko: amnesty ~ "Why not?"

government that if it does impose high or arbitrary taxes on foreign companies and individuals it risks alienating foreign investors who are free to chose more favourable tax and administrative regimes in the extremely competitive investment climate.

# Chapter 11-style scheme proposed for insolvent states

By Philip Coggan,

Mr Jeffrey Sachs, the former economic adviser to the Russian government, has called for a new system for dealing with country insolvency, based on the Chapter 11 bankruptcy code used in the US.

fell from \$23.7bn to \$20.8bn

(£13.6bn), the lowest figure for

three years. Disbursements

were also down sharply, the

bank's operational results

show, falling to \$15.9bn against

The biggest fall was at the

International Bank for Recon-

struction and Development,

the bank's main component

which lends at close to market

terms, where loan commit-

ments amounted to \$14.2bn

against \$16.9bn the year before.

Commitments by the Interna-

tional Development Associa-

tion, which lends to the poor-

est countries at concessional rates, dipped to \$6.6bn from

Bank officials attributed the

decline in IBRD lending to the

increased availability of pri-

vate capital to developing

countries. This has contributed

to a sharp drop in adjustment

lending as countries have not

\$18bn the year before.

Speaking at a Centre for Economic Performance symposium at the London School of Economics, Mr Sachs said the International Monetary Fund had "become an institution that has unfortunately become set in ways that made sense in

for the 1990s".

The IMF lacks a conceptual framework for state insolvency, said Mr Sachs, who has long been an outspoken critic

of the IMF. The Chapter 11 system, by creating a standstill on debtors, gives a critical breathing period to companies, enabling them to sort out their problems, and prevents a "creditor grab race" whereby assets are quickly seized.

"The IMF needs to be moved in the direction of acting as a bankruptcy referee or judge rather than as a lender in financial distress," said Mr Sachs. He thought the mechanisms to achieve a debt stand-still could be achieved under existing treaties, but a new economic conference to establish such procedures might be

Mr Sachs also criticised the IMF for favouring free-floating currencies, rather than nominal exchange rate targets and for concentrating on balance of payments financing needs, rather than on the financial problems of the indebted governments themselves.

July 1994

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# Arafat's return shatters a dream of home

Many in the refugee camps believe the Palestinian leader has sold them short, says Julian Ozanne

into the Jabalya refucrucible of the Palestinian intifada, or uprising, against Israel - one family stubbornly

"For us the return of Arafat means the end of hope - the hope we will ever get our land back. It is a day of shame," said Hisham Elakra.

Like many Palestinians the Elakra family sees Mr Arafat's peace accord with Israel as a betrayal of its dream of returning to the land its fathers lived on before the 1948 Arab-Israeli war and the subsequent creation of the state of Israel.

The Elakra are not Islamic

fundamentalists opposed to the peace agreement on religious grounds because it does not usher in an Islamic state in all of the traditional land of Palestine. They are part of the secular Palestinian opposition to Mr Arafat inside Gaza, the West Bank and the 4m-strong diaspora who believe that Mr Arafat has sold them short.

Not only has the peace agree-ment firmly ruled out any prospect of regaining the 1948 Palestinian lands, but most Palestinians believe it has also permanently shelved the notion of a return.

When the dust settles and the theatre of Mr Arafat's return passes, the fate of the fragile peace agreement could be determined by whether he is able to win over the secular opposition in Gaza-Jericho and in Lebanon, Jordan and other Arab states. Any failure by Mr

s Mr Yassir Arafat of jobs and prosperity and, made a hero's entry more important, further gains into the Jabalya refu-of land from Israeli occupation, will fuel the opposition

The youths of the Elakra family - Hisham, Bassam and Fayes - were born and raised in the dusty and littered streets of Jabaiya Camp, home to 72,000 Palestinian refugees They have never left the densely populated Gaza Strip but they resolutely refuse to call it home.

They are proud of their refu-gee identity and have no wish to accept Palestinian passports or leave the camp unless they are going home. Home is a place they have

not seen, and probably never will. But they pronounce its Arabic name, *Bruier* [it now called Brur Hail in Hebrew) with pride and passion. It is a place which has become shrouded in myth and legend, growing ever more sweet with the fading memories of their fathers and grandfathers who were forced to flee their 300 dunums (about 75 acres) of farmland as Israeli tanks and soldiers attacked their village in the early hours of May 12

Today the Elakra's land which once boasted grape vines and wheat fields, is a built-up Israeli kibbutz south of Ashkelon.

The spirit of 1948 beats strong in the hearts of even the youngest in the family.

The peace agreement is not peace. It is a surrender of our Arah land and we must fight against it by all means ... We have nothing to lose - no land, no jobs, no dignity. We will not



Hero's return to Jahalya refugee camp on Saturday: but opposition will grow unless Mr Arafat can deliver his pa

leave this camp until we go back to our village," said Bas-

Although there is still a slim majority in favour of the peace process in Gaza and the West Bank, Palestinian refugees like the Elakra family say the peace agreement would be resoundingly defeated in a ref-

erendum held in the entire Pal- Popular Front for the Liberaestinian nation, including the diaspora.

There are no portraits of Mr Arafat or Palestine Liberation Organisation flags at the Elakra house. Instead, pictures of Che Guevara, Lenin and Dr George Habash, the Damascusbased leader of the left-wing be mayor of Gaza-Jericho. He

tion of Palestine, adorn the small bedrooms. Any mention of Dr Habash - or Hakeem (the wise one) - is greeted with

leader - as the president of Palestine. But he has accepted to

he will be able to win support through massive investment in housing, jobs and social ser-

the only way he will be able to rule is by using the secret police tile the Israelis," said

Mr Arafat is gambling that

about the prospect of general elections. He may also have

feeling about recovering Arab land that burns so pessionately among the refugees who make up more than 75 per cent of Geza's 350,000 population, espe-cially those 325,000 still living Attachment to land has acquired an almost supernatural importance to the Palestin-

underestimated the strength of

ien refugees - an affirmation of their existence with a past they portray as a peradise.
"Land is stability," said Bas-sam. "If there is no land we will not exist as a family as a people. We are physically related to our land because the

graves of our family are on that land and our history of our family is on that land." Although many Palestinian refugees know they may not see their land in their life they are philosophical about the future sure that the tide of

history will one day turn in their favour. sir Arafat is betraying

our rights now because we are weak and Israel is strong," said

"Israel will not always be risrael will not always be strong. Turkey and Britain ruled the world and Palestine for hundreds of years but where are they today? No one thought the Soviet Union would collapse but it did. One day Israel and the US, which connects learned will collapse supports Israel, will collapse and Palestine will be returned

"It does not matter whether will live to see Palestine but for sme my son or my grand-

# NEWS IN BRIEF Casino owner named in

her Stanley Ho, Macao's casino king, has been named in a Hong Kong government inves-tigation which alleges irregu-larities in the conduct of two companies. Her Ho used to be chairman of one of them. writes Simon Holberton in Hong Kong

HK probe

The government released an abridged version of the report into the affairs of Tomsen Pacific, the World Trade Conrecipic the work frame ten-tre Group (WTCG) and related companies at the weekend. The results of the 13-month investigation have been referred to the police and securities' market regulators for ossible action.

Mr John Lees, the indepen-dent investigator, says compe-nies controlled by Mr Ho together with his Macanese flagship, Sociedad de Turismo e Diversoes de Macan, were involved in avoiding the celony's takeover code.

Mr Ho denies any wrongdoing or knowledge of the transactions referred to in the

# Cambodia com attempt foiled

Cambodia's coalition government announced yesterday that it had folled an attempted coup d'etat over the weekend placing a former interior min-ister under house arrest and expelling one of the sons of King Norodom Sihanouk for plotting the government's overthrow, Victor Mallet, South East Asia Correspondent, writes.

The attempted coup : to have been stopped in its early stages without death or injury, but it demonstrates the fragility of Cambodian democracy a your after the UN-or-

The authorities detained Mr Sin Song, interior minister under the previous, communist regime installed by Vietnam, in the early hours of yesterday morning. They also expelled Prince Chakrapong, a former deputy prime minister, putting him on a flight is Kuala Lumpur.

# Former Albania

Ramiz Alla, the country's last communist leader, was convicted by a Tirana court of abuse of power and other charges and sentenced to nine years' imprisonment, Reuter reports from Tirana. Mr Alia, 68, had pleaded not

guilty to the charges and accused the government of Albanian President Sali Berisha of subjecting him to a political trial.

# Korean summit media ban

North and South Korea have agreed to excitate foreign journalists from accompanying 80 South Korean reporters who will travel with President Kim Young-sam to Pyongyang later this month for a meeting with North Korean President Kim H-sung, writes John Burton in

The decision was taken as part of an agreement reached at the weekend between the two Koreas on detailed procedures for the summit on July

# Carolina air crash kills 22

A USAir DC-9 crashed and burned in a thunderstorm after missing an approach to Charlotte's international airport on Saturday, killing at least 22 passengers, Reuter reports from North Carolina. Both the pilot and co-pilot were among about 30 survi-vors. This number is unconfirmed because there may have been small children not listed among the passengers. The airline said 15 people

### Spain mobile phone contest

The Spanish government has

prepared the way for competi-tion in mobile telephones, approving a set of rules for digital cellular networks. writes David White in Madrid. Spain is due to invite bids later this month for a licence to compete with the national operator Telefónica. Five consortia of Spanish and foreign companies are set to enter the contest, which is due to be decided by the end of November. The winner will have to pay an entry fee estimated at up to Pta100bn (£487.8m).

# output halted

By Mark Nicholson in Cairo

North Yemen's 190,000 barrel a day oil production has been halted by a south Yemeni air raid, a north Yemeni oil official said at the weekend. The attack deprives the Sanaa government of its chief source of hard currency until the damage is repaired.

Northern forces, meanwhile, kept up artillery and rocket attacks on the southern city of Aden as the International Committee of the Red Cross warned that people in the city would soon be dying of thirst unless its shelled water treatment plant was repaired.

North Yemeni officials have said they would allow engineers and a Red Cross team to repair the facilities. The ICRC said a repair team was ready to move in but was awaiting assurances for its safety.

Mr Ismail al-Dailami, oil ministry manager at Marib, told Reuters that a raid by southern jets last week had

destroyed two vital water coolers at the crude oil pumping station feeding the pipeline to Ras Isa, the north's oil export

He said that the damage could be repaired "in a few days". But it was unclear if replacements for the two wrecked coolers were available in Yemen or would have to be flown into the country. Hunt Oil in Yemen, which operates the Marib field, would not comment on the reported damage yesterday and no immediate reaction was available from

Hunt's Dallas headquarters. The Marib operation is the mainstay of north Yemen's oil industry, pumping almost 190,000 b/d of crude. Production is continuing in the south where Canadian Occidental is producing up to 160,000 b/d from its Masila field, but the company has been paying Yemen's share of the oil revenues into a trust account since the outbreak of civil war in

early May.

# North Yemen oil Demand for crude tankers set to rise

By Charles Batchelor, Transport Correspondent

The oil tanker industry is poised for recovery following a slump which has lasted for most of the past 20 years, according to a review of the tanker market by Petroleum Economics, a con-

The rates paid to charter tankers increase sharply when surplus capacity falls to 50m dead weight tons (dwt) and this threshold appears set to be breached shortly, the review said. A drop in the rates paid on the spot

market in the early 1990s led to a sharp increase in the number of older vessels being scrapped while fewer new vessels have been ordered over the past three years. If the Opec oil producers increase their shipments next winter, demand for tanker capacity will rise, it forecast. Oil output from wells outside the Mid-dle East is running close to capacity so

any disruption to those supplies could only be matched by increased output from the Middle east. Transporting oil on long-haul routes from the Guif will

The tightening up of environmental

legislation in the US, in particular, has made it less attractive for large oil companies to own their own fleets of tankers. The amount of company-owned tounage has fallen from around one-third in the early 1970s to one-quarter. At the same time low rates in the spot market have meent the oil companies and other charterers have increased their activity in the spot market and reduced the

number of long-term charters. The volume of tonnage on spot charter rose from 10 per cent to 50 per cent while long-term charters fell from 50

This dependence on the spot market is expected to lead to fierce competition among charterers for vessels when demand increases. This will push charter rates up higher than would be the case if there was a greater volume of long-term charters.

Charter rates for a modern 250,000 dwt "supertanker" are forecast to rise on the spot market from \$13,000 a day this year to \$21,000 in 1995 and \$30,000 the following year, the review said, World Tonker Outlook - An End to Surplus. 7 Copthall Avenue, London ECZR 18U, £1,000

Observers said changes were

likely to be subtle but would

enhance the international pro-

file of Taiwan, which is strug-

gling to counter incessant dip-lomatic bullying by China, and

pushing to join the United

Mr Warren Christopher, US secretary of state, told the Sen-

in ties would be made in line

with a "broad and deep review" of Taiwan policy by

# Rwandans fire on French | US poised to boost

in Butare, Rwanda

French marine commandos come under fire from Rwanda Patriotic Front guerrillas for the first time yesterday as they evacuated nuns and orphans from the besieged uni-

versity town of Butare.
"The RPF came over a hill and fired at the convoy leaving town," Col Didler Thibaut

of the bullets lodged in our vehicles, and we returned fire. There were no casualties on

Col Thibaut said this was the closest his soldiers had got to the front line in Rwanda's civil war, perhaps too close for comfort. The brief exchange of fire underscores the difficulty of the French mandate to pro-tect civilians while not intervening in the Rwandan con-

"Our mission is not to fight

the RPF, or to help the Rwandan government fight the RPF," Col Thibaut said. The nuns and orphans,

including Europeans, Hutus

capture of the town, which is strategically located between the main roads south to Burundi and west to Zaire, would be a big victory for the Tutsi-led rebels.

Col Thibaut confirmed last night that the town was expected to capitulate within hours. Yesterday afternoon, Butare's leafy boulevards were deserted, while thousands of civilians streamed out of the town. The route to Burundi was choked with overloaded vehicles and a mass of people on foot, fleeing with their mattresses, cooking pots and

# of the 11th Parachute Regiment of Toulouse said. "Some lightning operation as the rebot formal Taiwan ties Nationalist government lost China's civil war in 1949.

By Laura Tyson in Taipei

The US is poised to boost formal diplomatic ties with Taiwan after its first policy review of bilateral ties in 15 years, amid congressional calls to rescind a ban on high-level exchanges between the two countries.

The move would be the first official recognition from Taiwan's biggest longstanding ate foreign relations committee ally of its transformation from on Friday that improvements a military dictatorship to a democratic state.

The US has funnelled billions of dollars in aid to the Clinton administration to

Taiwan since the ruling be published soon.

# INTERNATIONAL PRESS REVIEW

# Reshuffle fails to convince

The White House did its

any organisation goes through found few takers. "No explanation has been

The grumbling, she said, was all behind the scenes. players in the game of musical chairs – Mr Leon Panetta, who switched from heading the Office of Management and Budget to become White House Chief of Staff, Ms Alice Rivlin, who stepped into Mr Panetta's

But one common theme was: Good people, pity about their

Giving the top White House job to a Washington insider like Mr Panetta would help at a time when Mr Clinton's foreign policy was under attack, healthcare reform was mired in Congress, and the president's poll ratings were falling, suggested David Lauter at the Los Angeles Times. "But because Clinton's problems go far beyond his sometimes disorganised staff structure and stem in large measure from his own lack of decision-

making discipline - the help may be limited," he wrote. The New York Daily News was more succinct. "If Clinton wants real change, he'll read the riot act to the man in the mirror," it said.

the expense of his boss. However, Doyle McManus writing in the Los Angeles Times thought Mr Gergen's star had been waning, and White House staffers must have been relieved to get rid of the Republican in their midst ahead of November's mid-term

lin's step up from deputy at OMB and thought her nomina-tion "virtually certain to sail through Congress". She had "earned a reputation as the dministration's flercest deficit hawk", it said. The Los Angeles Times could not resist reminding readers of her Capitol Hill nickname - Tiny Alice. every talkshow or news pro-

"Mack" McLarty, Mr Clinton's childhood friend, who was eased aside by Mr Panetta but will remain in the White House

experience to head the White House staff. But there was no sympathy from New York Times columnist William Safire "Mack McLarty, who went to kindergarten with Clinton, is taking their old sandbox into the Oval Office's bunker of broken dreams."

editorial thought that in switching from an executive to an advisory role, Mr McLarty might even find himself wield-ing more power than before. It pointed out that Mr George Stephanopoulos, former White House communications chief. was "reassigned from an executive function to a counsellor's role" last year and is now more influential than ever.

Mr McLarty is nothing if not loyal. Only hours after the shake-up announcement, which sounded at times like his funeral, up he popped on CNN's Larry King Live show, flanked by Mr Panetta, saying what a great idea it all was. Mack the Nice and Neon Panetta, as King dubbed them, then seemed to appear on

blanket coverage of the OJ

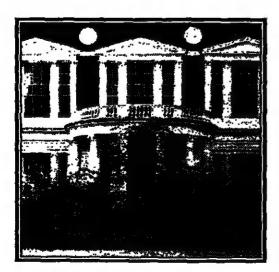
dehate over whether more high-level reshuffling was to come, particularly in the for-eign policy area, where rumours of change have been

cretary of State: "Everyone in this town [Washington] thinks that Warren Christopher is a lame duck."

be temporary.

president jailed a effective

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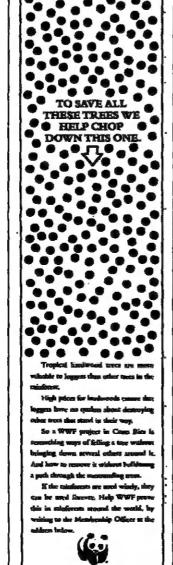


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World Wide Fund For Nature

UNITED STATES By Ken Warn

utmost to put a favourable spin on last week's reshuffle in its ranks, but the US media resolutely refused to be spun, remaining sceptical of many aspects of the shake-up.

The off-repeated official line that the changes were just the kind of routine tinkering that

given for the changes," wrote Mary McGrory in The Washtegton Post. To hear everyone speak at the graduation cere-monies in the Oval Office Monday, everyone has done a spec-tacular job, things had never-been bad, they just could be

There was praise for the key shoes, and spinmaster Mr David Gergen, who went from an advisory role at the White House to one at the State

Mr Gergen too was praised at

elections The Post welcomed Ms RivThe only apparent loser in gramme that would have them, the reshuffle was Mr Thomas or that was not dominated by

as a senior counsellor.

Mr McLarty was widely reported as a nice guy who just lacked sufficient Washington

However, a Washington Post

Simpson case. No news out of Washington

last week could compete for air time with the drama in Los Angles as one of the nation's most prominent sporting heroes faced a televised prelimmary trial hearing accused of Elsewhere there was much

rife for weeks.
The Wall Street Journal, in a lengthy memo to Panetta, urged change at the top of the foreign policy machine, reserv-ing some harsh words for the

For The Washington Post's In the Loop column, Mr Chris-topher was not so much a lame duck as a bald eagle - the comeback of which from the verge of extinction was much celebrated in the US last week. But only a big administration victory on Bosnia, Haiti or especially Korea could remove Mr Christopher and Mr Anthony Lake, the national security adviser, from the endangered species list, it warned, and even that might



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# Casin Reich seeks action on labour standards

By Jeremy Kahn in Washington

Multilateral development loans and grants should be used as carrots and sticks to encourage developing nations to improve their labour standards as their economies grow, Mr Robert Reich, US labour secretary, has urged.

All countries should be held to certain minimal labour standards, Mr Reich told a House banking subcommittee that oversees international development and trade. States employing slave, prison or child labour, and denying workers the right to organise and hargain collectively, were "outside the community of civilised nations", he

Beyond these fundamental standards, said Mr Reich, the US should be cautious, realistic and pragmatic in its expectations of developing nations' labour practices.

The international community clearly cannot attempt to dictate levels of working hours, minimum wages, benefits or health and safety

standards uniformly matching those of the US and other industrialised nations," he said. "While it is neither fair nor realistic to insist that labour standards within developing countries must be identical to those in richer countries, it is appropriate to expect labour standards to improve as economies

develop. in addition to core labour standards, Mr Reich recommended a two-part test to evaluate how develoning nations should be ranked for multinational aid - the existence of democratic institutions and evidence of improving trends in labour

"The less democratic the country, the greater the grounds for suspicion or concern that labour standards are being suppressed in order to serve narrow commercial interests or in a misguided mercantilist impulse on the part of the elites," Mr Reich said

Mr Reich's statements come at a time of growing debate in Congress and across the country about whether the US should pass legislation to implement the Uruguay Round of the General Agreement on Tariffs and Trade.

He warned that the debate over international labour standards should move beyond simple free trade versus protectionism arguments. But the labour secretary was attacked from both the right and left on just such grounds.

"I would hope that we don't tie some conditions to what a country has to have before we can trade with them." Mr Alfred McCandless, a California republican and free-trader, said. "We do not seem to take this attitude or approach with the people we give foreign aid to." Mr Bobby Rush, an Illinois Democrat, berated Mr Reich for having an "academic" attitude to US jobs.

Mr Reich repeated his view that in an increasingly global economy, government should stop thinking of companies as "American" or "foreign" and develop a new patriotism based on its citizens, not its prod-

# Airlines press Clinton on 'open skies'

By Paul Betts, Aerospace Corresponder

President Bill Clinton is coming under pressure from a growing number of US carriers to revive negotiations with the UK on liberalising airline services between the

two countries. Mr Ron Allen, chairman of Delta Air Lines, the third largest US carrier, is the latest US airline chief executive to have written to Mr Clinton asking him to intervene to

break the deadlock.

ard Branson's Virgin Atlantic Airways to give it access to London's Heathrow airport.

Under the current air service agreement between the two countries only two US carriers - United and American - can serve Heathrow, the world's biggest international airport. But the marketing and ticket code-sharing partnership with Virgin would open the door for Delta into Heathrow.

Mr Alien's letter follows a similar initiative last week by the heads of Mr Allen asked the US authorities six other US airlines, including to approve his airline's recent com- United, the largest US carrier, who

mercial partnership with Mr Rich- all wrote to Mr Clinton urging him to take action to revive "open skies" talks with the UK.

These initiatives reflect frustration among many US carriers at the refusal by the Department of Transportation to consider reviving talks with the UK after walking away from negotiations last year.

The DOT appears to have sided so far with the position of American Airlines, the second largest US carrier, which has argued that the US should renounce its air agreement with the UK unless Heathrow was immediately opened to all US carri-

Instead, Mr John MacGregor, the UK transport secretary, who has also become increasingly frustrated by the DOT's attitude, has proposed a gradual process of liberalisation over three phases eventually lead-

ing to total "open skies". Mr Allen argued in his letter that approval of the Delta-Virgin partnership would inject more competition on transatlantic routes and "underscore the desire of both our governments to move towards seri-

ous liberalisation". Mr MacGregor has already given his approval to the Delta-Virgin

# Healthcare battle for Congress this week

By Ken Warn in Washington

The political battle over US healthcare will move to the floor of the House and Senate after this week's congressional recess follow-ing the completion of committee work on the legislation.

The Senate finance committee approved on Saturday a version of the bill which drops a key compoPresident Bill Clinton - the employer mandate, under which companies would pay the bulk of their workers' insurance costs.

The finance committee's version would rely instead on a mix of tax incentives, insurance reform and subsidies for the poor to try to expand health insurance coverage. The bill falls short of Mr Clinton's aim of universal coverage. In an indication of other strug-

gles to come, the committee adopted an amendment that would allow employers to exclude abortion coverage from any health insurance they may buy their workers. Thirty-six Democratic congressmen have written to Mr Thomas Foley, the House Speaker, saying they cannot support legisla-tion that does not exclude abortion. Pour of the five committees with

jurisdiction over healthcare bave

now completed their versions of the bill. The fifth, the House energy committee, has given up the struggle after failing to reach consensus. Three versions of the reform reported out of committee bear close similarities to the Clinton plan. However, the Senate finance committee is considered to reflect closely sentiment within the Senate itself, and some House members

### WORLD CUP

# Total football a matter of faith for Holland

**Simon Kuper** in Boston finds that Dutch squabbles could undermine their natural ability



today against Ireland is their third

in sticky Orlando, Florida. Naturally, there is more to the Dutch decline than Florida's heat. Go back six weeks to the European Cup final between Barcelona and AC Milan. Barca, led by Dutchman Johan Cruyff, play pretty total foot-ball, and Cruyff spent the days before the match knocking Milan a team with only runners and defenders." It would be better for football if Barcelona won, he

Milan won 40, and in Orlando Cruyff's spirit lives on. The Dutch play pretty soccer, and they think they deserve to win. So far they have been lucky to beat little Saudi Arabia and Morocco - 2-1 each time and they lost 1-0 to Belgium.

The German press applauds any victory, but Dutch papers demand beautiful football, and players are

spending hours after every match lecturing journalists on the weather. Lex Muller of the Aige-meen Dagbiad spoke for many when he called the Orlando side "a too

gentle team of ideal sons-in-law." Holland's winners are back home in Europe. Ruud Gullit, whatever the myth, is no laid-back Rastafarian reggae-lover. He is a fierce competitor who walked out of the Dutch training camp three weeks before the World Cup because he thought that playing with four forwards was "suicidal", and because he secretly dreaded a seat on the bench. Marco van Basten is chronically injured. Cruyff, who loves winning, is absent thanks to the saddest row of all. It was agreed two years ago that

World Cup. With him in charge, Holland might have had a shot at

he would lead the Dutch to the

Ireland are expected to stick to 4-5-1 against Holland, using one striker supported by five mid-field-ers. Manager Jack Chariton can use first-choice full-backs Dennis Irwin and Terry Phelan, suspended for the 0-0 draw against Norway.

But Ireland's problem is not defence. They are having trouble

through. Cruyff asked for too much money (no great turn-up for the books, that); Lotto, kit sponsors of the Dutch team, took fright at his plans to promote Cruyff Sportswear at the tournament (another old story); the chairman of the Dutch FA pushed Cruyff to sign the contract in a week that Barcelona had three matches; and, when a final fax from the chairman came through at Casa Cruyff, the print

Last December the time came to negotiate, and everything fell midfielder, is managing Holland,

scoring. They scored only twice in three first-round games, though the manager says his team had to play in the toughest group.

"We have fully justified our presence here by qualifying [for the sec-ond round]," Charlton said. "It's still a difficult situation for us, but I said from the beginning that if we

and the players are uninspired. English players always try hard, but Dutch ones are different. The Dutch squabble, a pastime that cost them the last World Cup and could cost them this one, too. It is a tradition inspired by two men: John Calvin, who taught the faithful to ignore priests and read the Bible for themselves, and Johan Cruyff, who taught them that a

good scrap motivates people. Thanks to these two, a Dutch player believes that he is quite as likely as his manager to have the got there we would be dangerous since the pressure would be off.

"We'll see what happens next but we've already got a solid sense of achievement." The Irish have a fully-fit squad. "We've now gone to the second phase of two World Cups and we would like to go a bit further," added the manager.

Truth. Hence Gullit thought he had a right to tell Advocaat how to play. while this week the players have been lobbying their coach to play an extra defender. Authority figures have a hard time in Holland.

This team lacks leaders - figures who will remind the rest that this is a World Cup, who will chase opponents after 80 minutes in the heat, who call for the ball when nothing seems to be working.

Ronald Koeman, the Dutch captain, lacks the cosmopolitan charisma of Gullit or Cruyff, and has

the job for want of an alternative. At 33, Jan Wouters spends most of his time soliciting yellow cards, while Dennis Bergkamp, though already 25 and the best player in the team, is still a shy boy.

Frank Rijkaard, the other great player in the side, has never wanted to lead. If it were up to him, footballers would get as much publicity as accountants or bricklayers, and though he is more gifted than Gullit, he always played in Gullit's

Dick Advocaat dropped Rijkaard for the game against Morocco - just as Italy took off Roberto Baggio when the going got tough - and after the match a sedate Rijkaard explained to the press that "not everyone can play at the same time." Had Gullit been left out, he would have flown home.

In the 1970s there were two Dutch clubs worth mentioning, Ajax and Feyenoord. Ajax players were ballet

football, while Feyenoord players looked as though they had been dug out of the ground.

Now there is only one serious club, Ajax, where nine of the players who started against Morocco spent their formative years. The Dutch have no men with beards

anymore, and it shows. Their playing style is holier-than-thou. Though they are now down from four forwards to three, they use four mid-fielders, and the trio at the back includes two creative players in Koeman and Frank de Boer. (A 100-metre dash between them would be enlightening, but

would take ages to complete). Advocaat, who used to be a defen-sive coach, is now refusing to play a fourth defender against Ireland. He points out that the Irish play with only one striker. That is true, but their mid-fielders will come down the wings. Ireland against Holland is chalk against cheese, and everyone knows what happens to cheese

# Germany and Spain through after effective victories

western European soccer has re-asserted tiself, Jurek Martin terites. Two big 'uns, Germany and Spain, disposed of two little 'uns, Belgium and Switzerland, in World Cup second-round play on Saturday with no more than a modicum of fuss. Germany beat Belgium 3-2 and Spain beat

Switzerland 3-0. In both matches, speed counted. Spain, playing after a light rain had fallen on Washington, seemed yards faster than the ponderous Swiss, whose creative and quick mid-fielder, Sutter, watched glumly from the sidelines in his

tocks, out with a broken toe. The fastest Spaniards were Sergi. Hierro and Ferrer. Hierro took the middle road to score Spain's first-half goal. Serei the left to set up the second, by Enrique, and Ferrer the right to be upended by the goalkeeper, Beguiristain

converting the penalty.

The Swiss drew a couple of good saves from Zubizarreta but the more they trudged forward in the second half the more they were open to swift Spanish ripostes. The final margin could easily have been wider.

The German result in an unseasonably cool Chicago was also closer than the balance of

90th-minute goal set up a frantic finish, with Prend'homme, the admirable Belgian 'keeper, up in the German penalty area and almost geting his head to an injury-time cross.

Without Preud'homme's performance, the Germans could have scored something closer to double figures than three, and rendered academic hot - and possibly justified - Belgian appeals for a second-balf penalty after Weber had been brought down.

Klinsmann, maintaining his goal-a-game pace, and Völler were too quick and co-ordinated for a Belgian back line aiready run ragged by Saudi Arabia. Matthäus. who set up Voller's first goal, sat out the second half with a foot injury but looked much more offensively-minded in the first 45 minutes than hitherto.

### Shock follows Escobar murder

Colombian police reported the arrest of two suspects and said two others were being sought in the murder of national team player Andres Escobar.

Twenty-seven year-old Escobar, whose own goal in Colombia's

team's 2-1 upset defeat and contributed to their elimination from the tournament, was shot 12 times on Saturday as he left a bar in Medellin, Colombia's third-largest city.

Mayor Luis Alfredo Ramos said other Colombian players living in Medellin would be given bodygnards. A \$62,500 reward was set for the assassins' capture. Fifa, soccer's governing body, said in a statement from Dallas

and dismayed" by the slaying. Italian coach Arrigo Sacchi unmed up the shock that reverberated around the soccet community when he said: "The unjustified death of a young player is without sense. It also means that soccer is not only and no longer a sporting event, but something whose importance goes beyond our beliefs."

that it was "profoundly horrified

### Kantor seeks break for US

No game has received more anticipatory ink and airtime than today's between Brazil and the US. But the best word comes from Mickey Kantor, US trade representative and baseball freak.



Germany's Jürgen Kiinsmann jumps over Belgian keeper Michel Preud'homme during Saturday's game

caught with his family on

He fancied Spain, though not,

the first country to afford

Saturday at the Spain-Switzerland

he insisted, because Swiss markets are insufficiently open. When Brazil declared independence early last century.

recognition was the US. Is it not time, Kantor wonders, for Brazil to acknowledge that favour.

and members of the US team on

especially since it is playing the US national team on the 218th anniversary of US independence? Meanwhile, President Clinton telephoned coach Bora Milutinovic

Saturday night, wishing them well against Brazil and inviting them to the White House.

Clinton, calling from Camp David, said he would be watching the game - the first second-round appearance for the US in the World Cup since 1930 - with his wife Hillary and daughter Chelsea.

at 47°C.

■ Results

Other Second Round Games

Today Orlando (5pm BST) Brazzi vs USA Today San Francisco (8:30pm) Nigeria vs Italy Tomorrow Boston (6pm) Mexico vs Bulgaria Tomorrow New Jersey (9:30pm)

Quarter-finals

Saturday, July 9 Match A: Spain vs winner of

Nigeria-Italy, Boston 5pm Match B: Winner of Holland-Ireland vs Brazil-US, Dalles 8.30pm

Sunday, July 10 Match C: Germany vs winner of Mexico-Bulgaria, New Jersey 5pm Match D: Winner of Romania-Argentina vs Saudi Arabia-Sweden, San Francisco 8.30pm

Peur Semi-finals

Wednesday, July 13 Winner match C vs Winner match A, New Jersey 9pm Winner match D vs Winner match B, Los Angeles, 12.30am Thurs

A Section of the last of the l

Sunday, July 17 Los Angeles 8.30pm

The technology services behind WorldCupUSA94 52 For further information call Bill Wright on (44) 81 754 4318

so designed by with the letest news and involved. There is only one thing worse than over three b World Cup knowing your team is losing. Not knowing.

By Jimmy Burns and James Blitz

The British government's use of a £234m aid offer to Malaysia to help build the Pergau dam is expected to be criticised by the Organisation for Economic Co-Operation and Development in a long-delayed report to be published tomorrow.

The OECD report is expected to be broadly complimentary about the general conduct of British aid policy. But in the case of the Pergau dam project, it is thought to be critical about the way that aid was linked to

a defence deal. The OECD's criticisms will come at a time when the political controversy over Britain's aid programme for the dam is set to

Commons' Foreign Affairs Committee will publish a report into the Pergau project, which is expected to be critical of decisions taken by Baroness Thatcher's government in

the late 1980s. Later in the year, the High Court review of the decision by Mr Douglas Hurd, the Foreign Secretary, to proceed with the aid deal in 1991. If the High Court issues a review, it could order a halt to the bulk of the £234m of payments to the Malaysian government, which are yet to be

The OECD's report is being published by the organisation's Development Assistance Committee (DAC) following an annual review of Britain's aid programme by a team of Finnish and Belgian examiners. In recent weeks, the OECD has been subjected to criticism for delaying the

report, which was completed in draft form in March. OECD officials have blamed the delay on "production

In discussing the IIK's involvement in Malaysia, the DAC is thought to have expressed unanimous support for the principle that all aid be subjected to the full standards of normal assessment and that "aid quality should predominate" in decisions by individual member

OECD examiners have taken evidence from British officials at the

Administration, which is supposed to manage the UK aid programme. ODA civil servants objected to the Pergau project on economic grounds, but were overruled by ministers.

were overruled by ministers.

The UK government last year changed its aid and trade rules, so that a country as prosperous as Malaysia could no longer qualify for assistance. The formal British aid grant offer to Malaysia was the largest ever provided for a single heme under the government's Aid

# **Britain** in brief



# Rail union likely to call for talks

The leaders of RMT, Britain's main rail union are today likely to call for a resumption in negotiations to try to resolve the signalling staff dispute that has cost Railtrack £30m in lost revenue through

three one-day strikes. The union's executive is likely to announce plans for further 24-hour stoppages after its meeting this afternoon. It will also discuss calls for for an escalation of the dispute through longer

Railtrack, the state-owned company in charge of the network's infrastructure, has claimed that the men traditionally a moderate group

want a settlement and not

night they would like to resume negotiations as soon as possible. Mr Jimmy Knapp, the RMT's general secretary and Railtrack chairman Mr Bob Horton are due to give evidence tomorrow before the House of Commons Employment Committee. They are exceeted to use the opportunity to stress their esire to settle what has turned into an intractable and complex dispute.

### Forecast queries Treasury figures

The Treasury's upbeat forecast for the economy, published last week, is today described group, the Ernst & Young Item

The Item Chib, the only private-sector forecaster which uses the Treasury's economic model, predicts that next year inflation will be higher and growth lower, than the Treasury expects.

Item's central forecast is that growth in gross domestic product will fall to just under 2.5 per cent next year, from 2.8 per cent this year. The

Treasury's forecast for both years is 2.75 per cent.

### Tractor output up by 40%

Tractor production at the the main UR plants has been running up to 40 per cent higher than last year to meet stronger demand in Britain, continental Europe and North

largest of the British manufacturers, said production schedules at its plant in Basildon, Essex, provided for the production of 31,000 tractors this year, 40 per cent more than in 1998. sey Ferguson Tractors. takeover by Ageo of Atlanta from Varity Corporation was completed last week, reported that it will sell 10,500 tractors by the time its Coventry plant closes for the holidays later this month. In the same period of last year it sold 7,500 units.

UK tractor registration figures, published today, are expected to show a 15 per cent downturn in June from May. But total tractor registrations for the first half of the year of more than 8,800 are nearly 10 per cent higher than at the same time last year.

### Report backs 'whistleblowers'

Businesses could learn from practices developed in the US and reward siaff for highlighting financial malpractice in the workplace, a report says today. The report, by Public

Concern at Work, an organisation which advises says fraud and financial malpractice have been the most prevalent concerns of employees who have approached it for advice.

The report says: "Our pervading culture in many organisations in the UK is that staff should mind their own business come what may."

It says this is in contrast to the US, where companies have started to reward staff for minding the company's business. The report cites Bear Sterns, the New York stockbroker, which gives staff 5 per cent of any losses they prevent when they report financial malpractice.

# Enterprise Oil | Clarke hints at jobless shake-up

under scrutiny By Robert Corzine and Norma Cohen

Mr Graham Hearne, chairman and chief executive of Enterprise Oil, may be forced to relinguish one of his roles following the failure last week of the company's hostile bid for Lasmo, its fellow oil exploration group.

The Enterprise Oil board will meet shortly to consider Mr Hearne's position, but it is unlikely that there will be pressure for him to resign both

However, there has been concern about his dual role since the departure of Mr John Walmsley, the former finance director, who had been considered a counterbalancing force

on the board. Mr Hearne telephoned nonexecutive board members on Friday afternoon just before the bid failure was publicly announced and later said the board remained fully supportive of the takeover attempt.

"They saw it as a good opportunity as long as we got it at a sensible price," he said. Many industry observers have expressed surprise that Mr Hearne, one of the most highly regarded senior executives in the independent oil sector, should have misread market sentiment so badly.

The £1.6bn all-paper offer for

for only 23 per cent of the shares. Additionally, Enterprise acquired 9.8 per cent of Lasmo via a £159m cash raid last Wednesday when its advisers, S.G. Warburg and Co, believed that at least 40 per cent of shares would be tendered in favour of the bid. Enterprise is now showing a nominal loss of about £30m on

The purchase is now raising questions about how the company and its advisers could eve mis-read investors' inten-

tions so badly. Yesterday, Mr Piers Von Simson, the Warburg director in charge of the bid, said: "A large number of things went wrong. Individually each was not enough to sink the deal but collectively they were." "It was our impression that

in." he said. If there was any single shortcoming it was Warburg's fail-ure to communicate its client's ge effectively, he said. "All along we believed it was

an entirely sensible offer," he

the institutions would come

He said that plans to underwrite "a significant cash alternative" to the all-paper bid were scuppered by valatile equity markets in mid-June, making formation of an underwriting group impossible.

chairman's role Mr Kenneth Clarke, the UK

chancellor, yesterday raised expectations that tougher ben-efit rules for the unemployed would be accompanied in his November Budget by improved incentives for people to take low paid jobs.

His comments point to an extension of the family credit benefit and to further changes in national insurance contributions for those on low incomes to accompany the replacement of unemployment benefit by a new Jobseekers' allowance. The new allowance will be

payable for six rather than 12

months and will impose tighter

obligations on the unemployed to seek work. But ministers are aware the new system will only operate effectively if the jobless, particularly those with children, do not face financial penalties in accepting work.

Mr Clarke's remarks, which included another strong hint that there would be no room for tax cuts in the next Budget,

which he argued deregulated Labour markets must be combined with a strengthened wel Despite objections from the Tory right to any increase in

the number of benefit claimants, the chancellor intends to develop the argument further in a speech next week to the Social Market Foundation. The theme is likely to be taken up also by Mr David Hunt, the employment secre-

tary, in a speech tomorrow to an employment conference organised by the Trades Unions Congre Mr Hunt will underscore a commitment to full employment, but he will combine it with a robust attack on Labour and union support for a mini-mum wage instead of help for

The chancellor's remarks coincided also with a warning by another centre-left minister Mr Ian Lang, the Scottish secretary - that the government must resist the pre-

the low paid through benefits.



from the Tory right for another burst of ideological radicalism. Kenneth Clarke: no room for tax cuts in the next Budget?

# 'Summer smog' warning to motorists

asked to avoid using cars today, Michael Skapinker The hot summer weather has raised air-pollu-

The Department of the Environment suggested that commaters use public transport or bicycles, or walk to work to belp reduce the level of "sum-

The department yesterday forecast that air quality would be poor throughout England and Wales today. Scotland and Northern Ireland are expected to enjoy cleener air.

Motorists were asked to switch off their engines if they expected to be stationary for more than a few minutes, and mer smog". Those who do to avoid over-filling petrol

rates, releasing toxic hydro-The department said air-

pollution levels were unlikely to be high enough to warrant restrictions on traffic.

"Summer smog" is caused by high levels of ozone, the largest source of which is motor vehicles. The use of solvents in domestic and indus-

tanks. Spilled petrol evapo- trial paints and glues is another, less-important source. The department recommended water-based or low solvent paints. Cooler weather or rain over the next few days would, however, help to reduce air poliution.

The department advised against strenuous outdoor activity if poor air quality con-

# Wimbledon, another IBM Client/Server success.

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games in progress and games played in the

past, as well as player statistics and profiles." That gives them plenty to talk about in breaks of play or during those 'ob so rare' rain delays. Around the complex, similar information systems are available for the press, players and public.

As confirmed by the All England Club "In order to maintain our reputation of excellence, it is important to ensure that the provision of information is equally efficient. At Wimbledon, our Championships Information System has improved our game."

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Station Road, York, 12.00 Oceana Cons, 25, Luke

Premier Health, Butlers Wharf,

Reed Executive, 114 Peascod St, Windsor, Berkshire, 3.00

36, Shad Tharnes, S.E., 9.15

FRIDAY JULY 8

Street, E.C., 10.30

Smith (James) Estat

BOARD MEETINGS:

preliminary results.

Cisswood House, Lower

UMECO, Everland Road,

Hungerford, Berks., 12.00

Vosper Thornycroft, Victoria

Rd. Woolston, S'thpton, 2.30

Breeding, H'sham, W S'sex,

Wilshaw

Interims:

P&P

11.30

### INVITATION TO TENDER

7

SUPPLY OF FERTILIZER (UREA) UNDER JAPANESE GRANT AID FOR ECONOMIC STRUCTURAL ADJUSTMENT OF SOCIALIST REPUBLIC OF VIET NAM

JAPAN INTERNATIONAL COOPERATION SYSTEM (JICS), acting as procurement agent on behalf of Socialist Republic of Viet Nam, invites ALL INTERNATIONAL TRADING FIRMS AND COMPANIES which have:

1) Branch(es) and/or registered office(s) in Socialist Republic of Viet Nam and Japan and 2) Experience in supplying fertilizer

to submit Tender for supply and delivery of fertilizer (Urea).

This supply is to be financed by Japanese Non-Project Grant Aid to the Socialist Republic of Viet Nam on the basis of the Exchange of Notes concluded on 21st March, 1994 between the Governments of both countries.

Tender Documents will be available from 14:00 to 15:00 JST on 5th and 6th July, 1994 on payment of 20,600 Japanese yen (VAT included) per set at IICS office in Tokyo, Japan (The address is as mentioned below). Submission of Tender will be closed at 17:00 JST on 27th July 1994.

For further information, please contact JICS office directly.

Procurement Office for Non-Project Grant Aid, Grant Aid Management Department JAPAN INTERNATIONAL COOPERATION SYSTEM (JICS) P.O. Box 301, 6F, Shinjuku Mitsui Bldg., 1-1 Nishi-Shinjuku 2-chome, Shinjuku-Ku, Tokyo, 163-04 JAPAN Tel: 03(5322) 2441~2444 Fax: 03(3340)5505

### **UK COMPANIES**

IN TODAY COMPANY MEETINGS: Borthwicks, Founders' Hall, 1 Cloth Fair, E.C., 11.30 Carliste Grp., Britannia Intercontinental Hotel, Grosvenor Square, W., 11.30 Casket, The Roundhay Room, Holiday Inn, Wellington Street, Leeds, 11.00 Gates (Frank G), The Woodford Moat House, Oak Hill, Woodford Green, Essex, 12.00 Gresham House, 36, Elder Street, E., 11.00 Helene, 222 Grays Inn Road, W.C., 10.30 Jourdan (Thomas), Dartmouth House, 37 Charles St, W., 10.00 Kelt Energy, 29 Gresham RIT Capital Partners, The Royal Automobile Club, 89 Pall Mail, S.W., 12.00 BOARD MEETINGS: Finals: Carcio Eng. MFI Furniture Scottish & Newcastle

Interims:

Caldwell Invs. Coda **Dwyer** Pyffes TOMORROW COMPANY MEETINGS: Betterware, Stanley House, Park Lane, Castle Vale, Birmingham, 10.00 Bourne End Properties, CAP House, 9-12 Long Lane, E.C., 12.30 German Inv. Tst., 48 Chiswell Street, E.C., 2.30

Pentos, Cafe Royal, 68 Regent Street, W., 12.00 Tie Rack, Royal Society of Arts, John Adams Street, W.C., Value & Inc. Tst., 45 Charlotte Square, Edinburgh, 12.15 BOARD MEETINGS: Finals

Assoc. Nursing Services Birkby Break for the Border Budgens Court Cavendish European Motor Evans of Leeds Howden Morris Ashby St. Jame's Beach Hotel Sims Food Sterling Publishing Vibroplant

Worthington Interims: C.C.S. Gardiner Securicon Security Services **■ WEDNESDAY JULY 6** COMPANY MEETINGS: Aticins Grp., Old Cottages, Lower Bond Street, Hinckley, 10.00 Brown (N), Ramada Hotel, Manchester, 2.30

Cedardata, 66 Wilson Street, E.C., 12.00 German Smaller Co's Inv. Tst., 48 Chiswell Street, E.C., Land Securities, Claridges, Brook Street, W., 12.00 R.E.A. Holdgs., 7 Bedford Square, W.C., 10.00 RPC, 12 Suffolk Street, S.W.,

Sainsbury (J), The Queen

Elizabeth II Conference Centre.

Broad Sanctuary, S.W., 12.00 BOARD MEETINGS: Finals: Bespak Bogod **Border TV Dixons** Dudley Jenkins GEC Hamlet

Northamber Taunton Cider MAW St. Davids Inv. Tst. THURSDAY JULY 7 COMPANY MEETINGS: Allied-Lyons, London Hilton Hotel, Park Lane, W., 11.30 Channel Hidgs., The Moorgate Place, E.C., 12.00 Chesterfield Properties, 38 Curzon Street, W., 11.30 Fine Art Developments, The Devonshire Arms, Bolton Abbey, Skipton, N. Yorks., 4.00

Fleming Far Eastern Inv. Tst., The Chartered Accountants' Hall, Moorgate Place, E.C., 12..00 Gerrard & National, 33 Lombard Street, E.C., 12.00 NSM, 30. Furnival St, EC, 11.00 Sindall (Wm), Gonville Hotel, Cambridge, 11.00 Westbury, Westbury House, Lansdown Rd, Ch'ltham, 12.00 BOARD MEETINGS: British Bloodstock Agency

Abtrust New Dawn Inv. Tst. Assoc. British Eng. Brown & Tawse Reliance Security interims: **Cardiff Property** Company meetings are AGMs unless otherwise stated. Please note: Reports and accounts are not normally Gibbon Lyons available until approximately **Gold Greenless Trott** six weeks after the board Greene King meeting to approve the

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### Focus on Britain 1994

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Contributors include: - Peter Kellner, Ivor Crewe, Andrew Sentance, Robert Peston, Richard Gourlay, David Smith and John Clare.

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### CONTRACTS & TENDERS

### Invitation of proposals to establish and operate Audiotex Services in Pakistan

To promote the role of private sector in the telecommunication services, applications are invited from reputable firms to

The intending applicants must have capability and experience to operate and maintain the Audiotex Service for general public use. Proposals may be made on all Pakistan basis or on regional basis. Interested firms may apply along with following documents/information:

- Feasibility study of service, system configuration design and scope of service.
- System performance guarantee based on international standards.
- Proposed system of Integration with the Pak 3. Telecom network including numbering and other technical details.
- Acceptable formula for calculation of royalty payable yearly to the Government of Pakistan, 4. and tariff structure. Details of charges, billing and revenue share with the Pakistan Telecommunication Corporation be Indicated.
- Detailed specifications of the system to be provided
- Details of maintenance philosophy and facilities, quality assurance be provided.
- Proposal of investment plan covering both 7. foreign exchange and local components.
- 8. Manpower, training and employment plan.

If a proposal is found technically and financially viable by the competent authority, the selected firm(s) may be granted icense for a period of 15 years.

Applications along with the required information and documents should reach the undersigned by 25 August 1994. The envelope should be marked: PROPOSAL FOR AUDIOTEX SERVICES.

**Muhammad Rashld** Joint Secretary II, Government of Pakistan, Ministry of Communications, 9 Block-D, Pak Secretariat, Islamabad-44000, Pakistan Tel: (92-51) 823738, Fax: (92-51) 825454

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### **CONTRACTS & TENDERS**

Vardy (Reg)

### REPUBLIC OF HUNGARY

Ministry of Transport, Communication and Water Management, Motorway Directorate retained the Transport Consulting Management Ltd to publish an

INTERNATIONAL PREQUALIFICATION INVITATION

arbrolt a brecks information system for the MO motorway and its connecting road

The Republic of Hungary, Ministry of Transport, Communication and Water Management, Motorway Directorate retained the Transport Consulting Management Ltd to publish an international tender to construct in stages a traffic control and information system for the MO motorway by-passing Budapest and its connecting road network leading into the city.

Proposals are expected from firms possessing adequate skill and experiences in the construction of traffic control system for road

Purpose of the system construction:

Owing to the gradual implementation and operation of the system the route selection options of the drivers, the conditions of the traffic flow hence the uniformity of capacity utilization of the road network will improve compared to the state without an information system. The system must be competible to the existing and operating traffic

control system of the road network within and around Budapest. The works on the first stage of the system must be executed during the year 1995.

The prequalification guide can be obtained against the payment of a non refundable fee of USD 200 (for Hungarian Tenderers HUF 20,000) as of 9.00 o'clock, July 15, 1994 at the following address:

LITIBER Közúti Beruházó Kit H-1115, Budapest, Csóka u. 7-13 4 floor, room 407

Phone Nos: (36-1)168-6365, 166-6842 and 185-5979 ext 407 Fax: (36-1)166-6678

Payments should be made to the account No. 214-90174-3483 of the Motorway Directorate kept with Kereskadelmi Bank Rt. The prequalification proposal must be submitted to the above

address of the UTIBER Transport Consulting Management Ltd as indicated in the Guide till 14.00 o'clock August 15, 1994. Each Tenderer will be informed about the result by the committee

UTIBER Transport Consulting Management Ltd.

The Financial Times plans to publish a Survey on

# **Britain's Ethnic** Businesses

on Thursday, October 13.

The survey will report on the important contribution made to the economy by atheir coincity beatnesses in the United Kingdom. It will examine how their future prospects will be affected by competition at home and from abroad, and how they are responding to the challenge of whal in the UK.

For more information on editorial content and details of advertising poortunities available in this survey, please contact:

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FT Surveys

### INVITATION TO TENDER

# KOMPLEX TRADING CO. LTD

IMPLEMENTATION OF

<u>AN AIR TRAFFIC CONTROL CENTRE SYSTEM "MATIAS"</u>

In the name of the Air Traffic and Airport Administration of the Ministry of Transport, Communication and Water Management of the Republic of Hungary, the KOMPLEX Trading Co. Ltd invites bids for the supply, installation and commissioning of a "MATIAS" - Magyar Automated and Integrated Air Traffic Control System - /with a complete software documentation/ at the Budapest Ferihegy Airport. The Republic of Hungary has signed a finance contract with the European Investment Bank / EIB / for the partial financing of the project.

The two-stage tender is open, under the same conditions, to all firms / natural persons or corporate bodies / from at least the member countries of the European Union / Eu / and Hungary. Tenderers may form consortia only at the first stage.

The complete tender documents will be available starting July 1st 1994 from:

KOMPLEX Trading Co. Ltd, H-1807 Budapest VI. Andrassy ut 10., Hungary

Attention: Dr Novák Lajosné, Head of Department

The tender results will be made public on June 30th, 1995.

Tel: (36)-1 132-0592 Telex: 22-5957 Fax: (36)-1 131-6527 The tender documents may be consulted on the premises of the KOMPLEX Trading Co. Ltd between 09.00 and 14.00 on workdays and purchased against payment of a non-refundable USD 2000 / or, in case of Hungarian companies, of the equivalent in Hungarian Forint converted at the current official exchange rate/.

100913-001 at the Unicbank R.T. Budapest. Bids, in English and accompanied by a bid security for 5 percent of the bid amount, shall be forwarded to the

Payments must be made either in cash or into Komolex Trading Co. Ltd's account no. 219-98564/0100-

Komplex Foreign Trading Co. Ltd at the above mentioned address before 10.00 on September 30th 1994, when the tenders will be opened by the tender board.

The short list will be made public 30th November 1994. The firms on the short list will get a final contract specification on January 31st 1995. Modified tender shall be submitted till 31st March 1995.

INVITATION TO TENDER

# Air Traffic and Airport Administration and Komplex Trading Company Ltd.

# IMPLEMENTATION OF THE EN-ROUTE NAVIGATIONAL EQUIPMENT

In the name of the Air Traffic and Airport Administration of the Ministry of Transport, Communication and Water Management of the Republic of Hungary, the KOMPLEX Trading Co. Ltd invites bids for the supply, installation and commissioning of the En-Route Navigational Equipment (DVOR/DME, NDB with Remote Control and Maintenance System) in Hungary.

The Republic of Hungary has signed a finance contract with the European Investment Bank / EIB / for the partial financing of the project.

The tender is open, under the same conditions, to all firms (natural persons or corporate bodies) from at least the member countries of the European Union / EU / and Hungary.

The complete tender documents will be available starting July 1st 1994 from:

KOMPLEX Trading Co. Ltd, H-1807 Budapest VI. Andrassy ut 10., Hungary

Attention: Dr Novåk Lajosné, Head of Department

Tel: (36)-1 132-0592 Telex: 22-5957 Fax: (36)-1 131-6527

The tender documents may be consulted on the premises of the KOMPLEX Trading Co. Ltd between 09,00 and 14.00 on workdays and purchased against payment of a non-refundable USD 1000 (or, in case of Hungarian companies, of the equivalent in Hungarian Forint converted at the current official exchange rate). Payments must be made either in cash or into Komplex Trading Co. Ltd's account no. 219-98564/0100-100913-001 at the Unicbank R.T. Budapest.

Bids, in English and accompanied by a bid security for 5 percent of the bid amount, shall be forwarded to the Komplex Trading Co. Ltd at the above mentioned address before 13.00 on September 15th 1994, when the tenders will be opened by the tender board.

The tender results will be made public on October 17th 1994.

Neil Buckley
reports on how
the retailing and
pharmaceuticals
group used
textbook
techniques to
revive its
profitability

ate in 1992, workers at Boots factories in Nottingham found themselves wearing a new badge on their overalls. The famous blue oval carrying the Boots name in cursive script was replaced by one sporting two interconnecting squiggles. At the same time, workers had to get used to the idea that they were working not for "Boots", but for a new business unit, Boots Contract Manufacturing.

The logos were visible signs of

The logos were visible signs of important developments in the group – changes that might have come straight from a modern management textbook, but which were greeted with suspicion inside and outside the 111-year-old company.

"There was some cynicism about

the business-school speak," says a company insider. "But now people think and speak the new language." If the changes are gaining acceptance in the group, Boots' announcement last month of a 19 per cent increase in pre-tax profits to £484m for the year to March (before exceptional items) helped to convince the outside world of their effectiveness. In spite of uncertainty surrounding the pharmaceuticals division, losses at the Do It All DIY chain, and disappointing performances from other legacies of the £900m acquisition of Ward White in 1989, it seemed that chief executive

unlocking extra value.

Working with Marakon, a
Connecticut-based management
consultancy, the then highly centralised Boots group split 18 months
ago into 10 business units. All units
have a specified market and competitors, their own management
team, identity and logo.

Sir James Blyth had found a way of

Each draws up its own profit and loss account, balance sheet and cashflow statements, and presents an annual "prospectus" to the group centre detailing its strategy, and the capital and resources required to fulfil it. This is discussed with the group chief executive, and becomes a "strategy contract" signed by both sides.

tract" signed by both sides.

The contract includes performance targets that determine unit managers' incentive payments.

This, says Sir James, marks a big improvement on the practice in many companies of allocating capital through annual budgetary procedures, where the amount each division receives often depends on the "baronial powers of individuals".

The group centre, meanwhile, has



# Divide and thrive at Boots

slimmed to 100 people in seven roles: personnel, corporate affairs, corporate development, financial management, information technology, quality control and treasury.

"Boots has tried to create an environment in which the group centre becomes a shareholder in each business unit, with only a limited range of services. But it is a demanding shareholder," says Sir James.

The centre is also responsible for new business development and restructuring, as well as exploiting synergies, or so-called "key affiliation benefits". These include the transfer of retail skills between businesses, development of the Boots brand, vertical integration, and the sharing of information.

Sir James sums up the changes:
"What used to happen at board
meetings was that directors would
spend a great deal of time talking
about numbers. Now all the discussion is about strategy."

The goal of that strategy, as with any public company, is maximising shareholder value. Boots defines this specifically as "maximising the long-term cashflow of each business

unit'

According to Sir James, the concentration on free cashflow reflects a growing shift by institutional investors from looking at earnings per share. "There is a much stronger correlation between cashflow per share and market value than between earnings per share growth and market value," he suggests. The new structure at Boots also

makes it easier for insiders and outsiders to assess the contribution of different parts of the business. While the future of the prescription pharmaceuticals arm is under review following the withdrawal of the Manoplax heart drug last year,

review following the withdrawal of the Manoplax heart drug last year, Boots Healthcare International, the over-the-counter drugs arm, and Boots Contract Manufacturing, which manufactures products for the other two as well as health and beauty products, are emerging as businesses with great potential. "Historically, for 25 years, we had been seen as a cost." says John

"Historically, for 25 years, we had been seen as a cost," says John Watson, managing director of BCM. "Now we are seen as a profit." BCM's operating profits rose by

nearly a quarter last year to £16.2m.

and as a standalone business it is the third-biggesst manufacturer of its type in Europe. Eighty per cent of its output goes to other Boots companies, 60 per cent to Boots the Chemists alone. It already makes own-label products for several of the UK's large grocery retailers, and is keen to expand its third-party

Boots Healthcare International, whose brands include such well-known products as Optrex, Nurofen and Strepsils, has also been earmarked for expansion. BHI will concentrate on developing four product groups - cough and cold remedies, pain relief, eye care and skin care - and plans acquisitions in France, Italy and Germany.

The dominant business unit, however, remains Boots the Chemists, responsible for 60 per cent of group operating profits. Its recent results — a 13 per cent profit rise to \$222m — suggest it is weathering the everyday-low-pricing strategy operated by Superdrug, which is owned by the rival Kingfisher group.

The resilience of BTC stems partly from changes wrought by

ston. In 1986 BTC was in danger of los-

In 1986 BTC was in danger of losing its identity and focus, with larger stores carrying everything from toothpaste to televisions. A wide variation in store sizes also made functions such as inventory management difficult.

Hourston's solution was to split the business in half, with stores larger than 600 sq m operating separately. He also divided the central buying and marketing department into business centres responsible for particular product areas.

or particular product areas.

Under Hourston, Boots the Chemists became a pioneer of retail systems and one of the biggest users of electronic point-of-sale

technology in Europe.

These moves helped BTC reduce stockholding and operating costs. They also increased flexibility, allowing it to respond almost instantly to price initiatives by competitors, simply by reprogramming its computer, rather than having sales assistants after prices by hand. Till sales information allows BTC to determine the profit contribution of all products and stop or reduce unprofitable lines — one

famous example being pet food.

Mistakes were made – Boots sometimes overlooked the fact that an unprofitable product might nevertheless be attracting shoppers to the store. But the final result was a more focused range, with the positioning and shelf space of each product in each store controlled by a computer system called Space-

Another important strategy has been the development of the Boots brand. Own-label products are important as they cost retailers less than proprietary brands, and so carry a bigger profit margin or the

same cash profit at a lower price.

Own-label products now account for
43 per cent of BTC's sales – onethird of them made by Boots Contract Manufacturing.

George Charters, director of merchandise and marketing, divides own-label into three categories:

Basic products, such as shampoo, which compete with rivals'

own-lahel products.

Brand competitors, such as the shampoo-and-conditioner Duo, designed to compete with proprietary brands, but at prices 5 to 10 per cent cheaper.

per cent cheaper.

Value-added products, such as the global and natural collections, which compets with rival retailer Body Shop.

Charters says the third area,

which has the highest margin, is the fastest growing. That means operating margins, which have more than doubled from 5 per cent in 1965 to 11.5 per cent last year, should still have room for growth. There is also scope for physical growth. BTC has identified 240 potential sites for more small stores, and it has a pilot programme

of opening shops within superstores operated by J Sainsbury, the UK's biggest grocery retailer.

The hope now is that Boots the Chemists' retailing skills can be passed to the group's less successful retail chains — Halfords, Children's

World, Fads, and Do It All.

A longer-term aspiration is that countries such as France, perhaps under pressure from the European Commission, might relax restrictions on companies holding multiple pharmacy licences, allowing Boots the Chemists to take its business of the pressure of the

Pictured above: Sir James Blyth (left) and Gordon Hourston

and Telus Corporation both chosen pictures of rowers for their annual

reports? Why does Scor, the French

reinsurance company, have a

child's drawing of tents and ele-



### DESERT ISLAND MANAGER

# Julia Cleverdon

The 64-year-old chief executive of Business to the Community, the charity, which inder the presidency of the Prince of Wales seeks to involve companies more dissely in the community, would not enjoy a Lunely sojoaure in a desert island. Henowind for her deganisational skills and strong sense of princese, she has too much to do to suntain our a beath.

How would you keep yourself eccupied?

"It would probably turn to gardening spiting objectables, into straight rows. I would need to have some feeling of achievement - I could not go be, hed and sleep well after a day just lossing on the hearn."

How would job cope with leadiness?
"I would say any prayers and reflect on my smally and comfus ayasif with a marvellous range of memories about them and my

What satisfiend lies would you need for your bearisside office beside a fact and a plengious? "I can have a six out a manners things. I would be singly and be in touch with people who are doing hings. I would be singing up the satisfactors with people who have come through our Community Saternase awards, asking them how they were making a millerence to their local communities. An additional item you say? I would have a sittle those because I normally a speched because I normally never have they time to plan item.

If you could take one person
who would take he!
"My husband, John Garnest. The
other person! would like to take
would be any grandiather, James.
Windsor Lewis, a vicar of
Aberdare in South, Weles in the
1830s. I neverone; him but my
mother says! are very file him,
not least in the way we arrange
our finances. He was a great
taker my of causes. I saided lives

One immy? "Photographs spanning the years of all the fandly end my children. Charley and Victoria

One film?

Four Weddings and a Fineral, I roused with laughter, after having had a former marriage.

One book?

Trollope, Anthony rather than Joenna. Can' I take the whole of his Borchester Chronicles! I addre the politics and the factions. They mirror the world that houses in the Community has to treat through. Life does not change.

Some music?,
Staring Mozart operas I think I listen to one s week on my exercise blice which I use swery morning.

How would you like to be remembered it you were mable to get off the island?
"As somebody who tried to invest in people. One of the most important leadership roles is to grow people. It is very much like gardening. You tend them and apply fertiliser. But sometimes you have to prome to make them

Lisa Woo

# Cooking up deals in a motorway café

ext time you find yourself having a cup of coffee and a stale Danish pastry in a motorway service station, look around you. What are those men with briefcases doing at the next table? Are they travelling salesmen comparing double glazing brochures? Or are they tycoons stitching teachers a scent deal?

ing together a secret deal?

Forget the Savoy Grill: big business these days is done in motorway cafes. This information comes to me from a senior partner at one of the biggest accountancy firms, who spends half his life travelling from a Welcome Break on the M25 to a Happy Eater off the MI.

If you want to be discreet, smart restaurants are out, as are the offices of the other party and their advisers. To meet in any of these places would be tantamount to issuing a press release. The service station is the ideal solution: handy yet anonymous. Everyone else is too intent on bolting their snack and getting back on the road to wonder what fellow travellers are up to.

Alternatively, you could meet in the middle of a field where the likelihood of running into journalists or business acquaintances is even lower. But you might look conspicuous there, and you couldn't get a cup of coffee – not even a bad one.

We all know about downsizing, rightsizing, rationalising and other euphemisms for firing people. Yet until last week I had not come across "involuntary separation". Nor had the 1,200 Du Pont employees who on Thursday were bounced into this process by their employer.

There is no acceptable way of telling people that they have been sacked, but companies nevertheless continue to search for the perfect, painless phrase. According to consultancy Drake Deam Morin, there are more than 50 cliches in common use among managers giving their workers the chop.

They talk of "careers that have

plateaued", of "decruitment", "deselection" and "displacement". They



speak of "exiting the organisation", of the "opportunity to look elsewhere", of "releasing people", of "retrenchment", of employees being "surplus to requirements". They say, "your future lies elsewhere" or "we are re-engineering".

The aim is to place the moral responsibility somewhere other than on the employer. Du Pont's "involuntary separation" is particularly blatant, and well it might be. The company has its motto - Part of Our Lives - to live up to.

I had a leisurely time last week, having picked up the extra second



Bureau of the International Earth Rotation Service. Now that I have acquired the taste for additional time. I long for a whole extra hour which would bring Britain into line with the rest of Europe. It is bad enough trying to get hold of anyone in this country during the business day - they are permanently in a meeting, out at lunch, or travelling from one motorway ser-

But pinning down anyone on the Continent is more or less impossible. There are only four hours -between 9 and 11 in the morning and 2 and 4 in the afternoon - when

vice station to another.

there is any point in even trying. The rest of the time either side is at lunch or in transit somewhere. Technology buffs would have you

Technology buffs would have you believe that in the age of the virtual company people can be reached 24 hours a day, so time zones don't matter. As someone who has just bought an answering machine, I have found out this is nonsense. The beauty of technology is that when properly used it makes you less, rather than more, available.

On my interminable journey into work on Wednesday I read the Financial Times Annual Report Service, trying to guess what business each company was in from the pictures on their annual reports.

I could just see the link between
autumn leaves and the French
funeral service company, OGF/PFG.
But what has the smiling black man
in a jungle wearing a sheet over his
shoulder got to do with Norsk
Hydro, the Norwegian oil and metals group? Why have Crédit Suisse

phants on the cover, or Sema, the information technology company, have a botanical drawing of a bud? If you strain, you can make the connection between rowing and team work, or buds and growth. But why should investors have to strain? When it comes to amual reports we are not talking about

metaphors, but about hard facts.

My favourite reports have a clear picture of the product on the cover, or failing that, the company's name and the date. This information should also be down the spine, and the format should not change from year to year. You would have thought this was too obvious to be worth saying. But ICI has chosen a different style every year for the last five, each worse than the last. Last year it just said "annual report" on the spine. This year, nothing at all.

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suppose I should have been sorry that Nigel Mansell left

the French Grand Prix with

only two thirds of it com-

oleted. But there was, to me,

something unseemly in the atmo-

sphere permeating in the build up

I know there is no reason why

Nigel Manseli should not have

taken a day out from indycar rac-

ing, in order to drive the Williams-

Renault car. Nobody can blame the

team for wanting to borrow so good

a driver, or for Mansell for wanting

to make such a well choreographed

appearance, or the motor racing

fans for wanting one of their famil-

iar heroes to return to their sport's

But did nobody feel just a little

uneasy with the whole episode?

Those lovers of the sport who were

following events with such fuscina-

tion - were they the same people

who, nine weeks earlier, had

mourned so assiduously the man

whose place Mansell was now fill-

Of course the Williams team

could not let the loss of Ayrton

Senna bring its season to an end. It

had a business to run, one which

deals, however reluctantly, in death. By giving Senna's place to

Damon Hill and bringing in a young

unknown, David Coulthard, to drive

the number two car. Williams han-

dled the tragedy in the most decent

name to the team was very strong

(stronger according to press reports.

for Renault than for Williams); and

I shall hate to sound as if I believe

myself to have finer feelings than those who orchestrated so popular a

But yesterday's Grand Prix pro-

duced the sense that Senna's death,

had, however obscurely, led to an

event which was a cause for cele-bration. Necessity decreed that the

empty place on the Williams team

must be filled. Yet should it have

been filled with so much publicity,

so great an eagerness to forget motor racing's terrible recent past?

Perhaps it is hypocritical to say

Yet the temptation to lure a big

to yesterday's race.

Buch

DESERT BOAY

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A PROCESSION.

BUT THE PROPERTY. Ber inner fiet tar a. क्षेत्रक्षेत्री स्टारण Market St. Co. Min to Land

Bart Bart Bart the trop in with a fat time to a trape WALKS IT THE CO. **6.4** 4/40 cm · Entre : terre. BYRYA WOOL PROMISE (A) MOTER CAN .... 🛊 数据 😁 Boge June State Control Charles ...

## 145. · · · · 1949. er.

Read Books 1

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super-chilling or freezing to produce ice crystals. All should be served cold: Labatt's recommends 42F. When you and I get the stuff.

the crystals have gone. Taking the

complicated to worry about -

suffice to say they all involve

ice out can flush out proteins and compounds and 'improve' the taste and freshness and/or strengthen the beer. Very little is new in brewing - the Canadian's used to leave cider out in buckets to freeze, and after removing the ice, would fall around for weeks on the

BEEF

resulting concentrate. What's left after you take the ice out of Labatt Ice Beer, Molson Ice, and Foster's Ice is a premium lager which is one of two things. If you're the brewer its smooth, clean, clear, crisp, and strong at between 5 and 5.6 per cent alcohol by volume. If you're the consumer the word bland may creep into your over-heated brain: the memory of drinking defrosted beer from the fridge lingers around the taste buds.

My own judgment is that the lack of after-taste does make ice beer very smooth. It's an odd sensation, the tingling clean taste on the tongue just fades away. Then nothing happens. The alcohol content provides taste. It is refreshing, and different, and on a blazing summer day the word ICE on the label is going to empty

a few shelves. If the market takes off expect further competition in the UK.

**SPORT:** LAURA THOMPSON



that it should not. But the tone in which the race was previewed felt strange to me; and doubly strange for the fact that all this excitement had been disseminated by Nigel

When Mansell was a fixture in Formula One, who, apart from his army of flag-waving fans, would have believed that he could ever have commanded such a reaction? Who, apart from those same fans, would have thought that this graceless figure would, one day, be regarded as the natural replacement

for the aristocratic Senna? By leaving Formula One, Mansell finally achieved what he had never been able to do when he was part of it: he made it want him. When he was on the Grand Prix circuit, he maintained an air of being hard done by which was hugely irritating in a multi-milionaire.

Yet there was a genuine sense of being under-appreciated, which was proved to have some foundation when Mansell was virtually first to make way for Alain Prost on the Williams team, despite the fact that he had just won the world champi-

and he made a success in Indycar

Downside of the hero's return

This incident - the truth of which has never come out - finally compelled Mansell to do what he had threatened to do several times before: retire from Formula One. Nobody believed that he would do it, thinking instead that this was another one of his uncharismatic

racing, and ever since then Formula One has wanted him back. Why? One cannot help wondering. Even though Mansell's perfor-

mance itself was a non-event, the build up to the French Grand Prix created an image of a conquering hero returning to his people. This image would certainly be re-created if Mansell decided to make appearances at subsequent races. Hype, of course, has helped; But it is not all hype. Formula One wanted Mansell back because it thought that he could help to salvage an almost ruined season. Strange as it may seem, this resolutely umprepossessing man is popular enough to do it.

I have never heard anyone say a good word for Nigel Mansell; and yet people seem to like him. They criticise him for his demeanour, while, at the same time, almost admiring his refusal to be charm-

cious life that celebrity status can bring, or be anything other than a richer version of the man he has always been.

It may be that, in some unconscious way, people connect these traits with Mansell's refusal to give up on a race. Ayrton Senna was equally obdurate but his determination had an other worldly quality, which alienated people because they could not understand it. Mansell's is absolutely of this world; gritty, grubby, gutsy. It is the determination of the nobody who will not be done down by the some-

People see themselves - or part of themselves - in this. And they responded when Mansell made his comeback. They know that he doesn't need the money and that \$1m is far too much for a few days

of unsuccessful work. But they sensed that he wanted to prove a point; that he wanted Formula One to want him. They know that he will want to go on proving points all his life, whatever the cost might

The exotic, mysterious Ayrton Senna had little in common with the dour, unglamorous Nigel Mansell. But Senna, too, dared all whatever the cost, and for this reason it is not, after all, so inappropriate that Mansell should have been driving in his place yesterday.

Perhaps Senna would have seen the fitness of it, behind all the misplaced celebrations. To me he was the dominant figure at the French Grand Prix, his sombre brown stare gazing at the events he had set in motion; And Michael Schumacher. the smiling young man that neither he nor Mansell could catch.

**SCHOOLS** 

### Trading places

Several recession-hit independent schools will close for good at the end of this school year. Parents caught up in a closure will face a dilemma over choosing a new school, for there will be no shortage of other schools offering places.

Those with daughters at Felixstowe College already know the phenomenon. A strong hint the school might be considering closure came about a month before it was formally announced, when they received a letter from another local private school, Amberfield, suggesting they might want to move their girls there.

However, Felixstowe was in a stronger position than many schools when they close. As a member of Allied Schools, a group which also includes Stowe and Harrogate Ladies' College, it was able to steer parents in the direction of other schools.

Rather more anger was generated at the Waterside School in Bishops Stortford, where the staff were dismissed by the receiver two weeks ago after the school had become insolvent. One group of parents distributed a press release claiming children had woken "to find the school had gone overnight". Amanda Robertson of Coopers

& Lybrand, the receiver, said she was "deeply angered" by this reaction. She said she had made it "blindingly obvious" to parents at a meeting in the second week of June that the school had a "zero per cent chance" of surviving beyond the following Tuesday. Invigilators were found for those pupils who had not finished their GCSE exams, and school meals stayed available until the end of

But it is difficult to close a school without pain for the pupils. The only way for parents to avoid this is to ask some searching questions about the accounts before enrolling children at a new school. According to Robertson: "Waterside's accounts showed fat losses each year and were publicly available.

John Authers

### FINANCE

way possible.

manoeuvre.

Expats beware If you are a UK expatriate, you are entitled to receive gross interest from your UK bank and building society after completing a form to declare your non-resident status. But the ability to receive gross income does not mean it la

tax-exempt, since most UK sources of income are taxable. The interest can only be excluded from liability to tax under extra-statutory concession B13 but

this involves considerable Donald Elkin, director of Wilfred T Fry Ltd, of Worthing, West Sussex, points out that any interest you receive during "broken" year: of departure from and arrival in the UK, will be fully taxable. Moreover, in intervening years of non-residence, allowances will be

set off against the gross paid

AT THE BAR

FOSTER'S

The ice

men cometh

If you haven't heard of ice beer

that - it's served sans glace.

And if the North American

consumer is anything to go by,

it tastes just great. A year after

its launch, ice beer has 12 per cent

of the Canadian market: 2 per cent

in the US. But it isn't cheap - I

paid £4.90p (\$7.60) for two bottles

Labatt's goutes £1.50-£1.80 as a

and Foster's £4.79 for a four pack

pub price range. Moison £1.90-£2.00

at a central London pub.

you will. It's no good muttering "fad" and ordering something else.

Putting ice cubes in your pint won't do either. Ice beer is brewed like

interest you thought was exempt. If the interest is your only UK income, these will not be a problem. But if you have other sources, such as a pension or are renting out property, Elkin says you stand to suffer an unnecessary loss: "Suppose, for example, that while non-resident you receive UK letting profits of £3,400 per annum and gross paid building society interest of £3,000. You might well have assumed you would have no tax liability, the £3,000 interest being

fully covered by your £3,445 personal allowance. In fact, that allowance will be set off first against the interest, leaving only £445 to reduce the hability on the letting profit. You would, therefore, have to pay tax on £2,955 (£3,400

minus £445) which at 25 per cent equals £738.75." Fortunately, this is a problem

from which it is easy to escape simply by transferring your account outside the UK. But it is always worth taking tax advice before

doing so. Most UK banks and many building societies have offshore branches in the Channel Islands or the Isle of Man. But remember the UK's Deposit Protection Scheme for banks and building societies does not operate outside mainland Britain, so it is important to stick

West Communication

to reputable depositors. Of the three main offshore exempt and the £3,400 letting profit islands, only the Isle of Man has a comparable scheme, which protects up to 75 per cent of the first £20,000. If you are with a building society, the Buildin Societies Act requires all the liabilities of a subsidiary to be guaranteed by the UK parent.

Scheherazade Daneshkhu

# EATING OUT Award winning

spontaneity When Fredy Girardet won three rosettes last November in Michelin's first guide to Swiss restaurants, he reacted simply, Well, we will just have to work

harder.

Certainly, the 57-year-old master of cuisine spontanée shows no signs of fatigue. Slim and fit - he cycles regularly in the nearby Jura mountains - he produces wonderful surprises and still inspires younger chefs throughout the world.

I first became aware of Girardet through his student Kiyomi Mikuni, vhose Hôtel de Mikuni became a favourite occasional retreat from Japanese fare while posted in

Tokyo. Stepping into the master's discreet restaurant on a quiet street in Crissier just north of Lausanne a few nights ago, the connection was immediately clear. The dining room itself is plain, with only a dozen well spaced tables and a few austere abstract/landscape paintings by Girardet's friend Yves Mafli on the walls. Nothing

distracts from the cuisine.
"I see the echoes," I said clumsily to Girardet as he made his first of two cruises through the dining room. "Mikuni is echoing me," he

corrected gently. We will not soon forget his fole gras with grapes jellied in Madiera or the half cooked wild salmon with rough sea salt kernels sprinkled on top or even the astonishing variety of homemade breads. The lime and raspberry soufflé alone

would be worth a detour. Because the restaurant is so small, it is best to book well in advance for Girardet. I rang in early April for a mid-June evening and found Thursdays, Fridays and Saturdays were already fully

booked. Girardet, 1, rue d'Yverdon, 1023 Crissier, Switzerland. Tel (41-21) 634-0505. A la carte or set memus at SFr165 or SFr180. No credit cards. Closed Sundays, Mondays, three weeks from the last Saturday in July, three weeks from Christmas

Ian Rodger in Zurich

### HEALTH

HOMANIENS"

### Sun downers The sun may be the best tonic for blues on the job. But it can also

cause long-term damage to those who worship it too much, in the form of premature ageing and skin Prevention is always better than

cure," says Dr Mike McKiernan, director of health, safety and environment at Lucas Industries in Birmingham. Dr McKiernan, who learned of the severe damage sun can do while working in Australia, believes a current health promotion campaign from Down Under, which advises sunbathers to "slip, slop, slap" (slip on a '-shirt, slop on some son creat

and slap on a hat) is the best

pre-emptive measure for those who want to play outside when the winter gloom lifts. Using a protective sun cream with a high sun protection factor (SPF) is vital. For those with light skins, Dr John Hawk, consultant dermatologist for sun related skin diseases at the St John's Institute, recommends creams with an SPF factor of 15 to 20. People with darker skins may opt for weaker

protection, though a high SPf can never hurt. Summer frolickers may choose between sun blocks based on chemical or physical protection. Those with chemical components absorb the sun's dangerous ultraviolet rays, while physical blocks contain a reflective barrier. For cosmetic reasons, most people



creams, because those with reflective blocks tend to leave an opaque sheen on the skin. But for those with sensitive skin. chemically based creams may cause

uncomfortable rashes. In the early days of summer. improtected sun exposure should he limited to no more than half hour stretches, especially during the peak hours of sunlight, around noon to 2 pm in the UK. If holidaying in hotter areas like the Mediterranean, Dr McKiernan advises: "Add an extra hour on either side. Take that siesta from

llam to 3pm." Even one bad burn could lead to serious problems later in life. "The skin never forgets," says Dr McKiernan. If warts, moles or other such

lesions do appear on the body, or

colour or start to itch, seek medical

if existing ones change shape,

advice immediately.

### READING MATTER

### Going for brokers The Bucks Stop Here by Jim Parton. Published by Simon & Chuster.

paperback, £5.99, 252pp "I couldn't see the point of suffering in the City of London if the sums I earned were only mildly revolting as opposed to completely obscene. It's the kind of opening that hints

at plenty of juice to come; Parton delivers on the promise. There's always the fear with this kind of book - self-confessed hopeless stockbroker bares soul and puts boot into former employers - that embarrassment or failure to amuse lurk over the ix. Famon avoids those sins. He has written a very funny book, required reading

for all the forlorn City saps who are still playing the game. Parton kicks off with him married to a Japanese television worksholic, five years into a City broking life, employed by UBS Phillips and Drew. His facility with the Japanese language plus a modicum of

chutzpah has persuaded successive

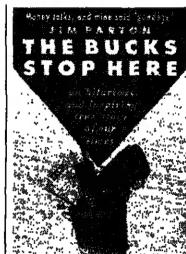
ignorant City firms that he will one day land them a tidal wave of Japanese cash, as eager Tokyo investors suddenly discover European equities

What goes up - Parton freely admits he was never good enough to go very far up - must come down. He nosedives into unemployment and, yes, does discover an alternate life, playing the piano, writing, enjoying himself without loads of dosh.

That might sound twee. But buckets of black humour, ready self-criticism, and side-swipes at City taboos - including this newspaper - suffocate sentimentality on sight. It's just too runny, even when things turn sombre; for instance, when Parton's wife dumps him and walks off with

their child. Everyone deservedly gets a going-over: broking firms; headhunters - Parton calls them all "Donald" since they are individually indistinguishable; even the 'colleague' who told Parton that he would not speak to him

if he wore a checked shirt to the



office. So, for the price of an up-market City sandwich you can buy an afternoon's wonderful hilarity, far funnier and less pompous than Liar's Poker.

Gary Mead

# The Best Investment To Reduce Inflation. NordicSport Ski!

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Sunshine service Airlines is to stop operating its daily service

gow and Chicago en a round basis, writes James Buxton. The service, using a Boeing 767, will end on Nove

2 and resume in mid-May next year for six months. erican says th: although summer holiday traffic is good, the service has lost more than \$3.5m each winter, making it unprofitable overail.

The decision is seen as a blow to transatiantic air services from Scotland.

Russian travel Thomas Cook has opened what

it says is the first business travel management centre in Russia. Thomas Cook Rus, in Moscow, provides trave planning, bookings and visas for companies doing business in Russia. It also plans to offer foreign exchange facilities. Mr Bill Kirkwood, sales and

marketing director for Thomas Cook Travel Management in Europe, says that, while other travel groups have had a presence in Moscow for a number of years, they do not offer a comprehensive service for business travellers. Thomas Cook Rus says its clients so far include (BM,

Schlumberger, Deutsche Bank, Bosch and Mistubishi.

Bucket shop hedge The UK's Civil Aviation Authority has published proposals to protect travellers who buy airline tickets in bucket shops, its proposals will require

strops selling discounted uled flights to have heir own Air Travel nisers' Licences (Atol). The Atol system protects engers from losing their money or being stranded abroad if their tour operator fails. Tour rators who sell ir-based trips are required

by the CAA to lodge a bond

- a financial guarantee provided by a bank or

Hotel alliances The hotel

industry will follow airlines in forming CESTUAT

altiances to penetrate markets in which they are currently weak, according to Mr Michael Hirst, former chairman Mr Hirst told a recent

conference in New York that nternational hotel groups would find it difficult to exceed in Asten markets by buying individual properties. Building new hotels would also be difficult. Developing a hotel from scratch required at least three years. Hotel groups would thus, he said, have to form alliances with strong regional companies.

Flying office The days when airline travel the stresses of the office

represented a break from are over, according to Immersat, the Internation estellite organ

begun to install telep on their aircraft, with so aiso offering ta es. By the end of the century, inmarsal says, alriine passengers will have all the facilities they now ve in their office

is being devel telephone. Passengers on some airlines can aiready

An immersat global pag

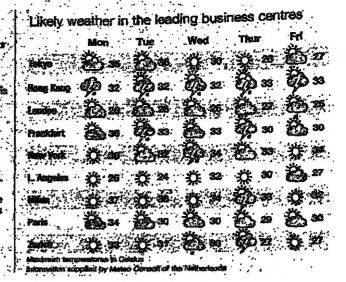
Expense account Karachi, Istanbut and Caracas are the least expensive cities for executives, according to Business Traveller magazine:

Tokyo and Moscow are the most expensive, while London 13th on the list of the de destinations and Dublin 37th. The figures are based on what it costs for a single room in a four-star hotel with continental breakfast. It also

takes into account soft drinks

axis and other incidental cos

The daily costs in Tokyo are about £319, in London they are just over £200, while the Dublin figure is about £155. Those looking for a cheap stay could try Caracas (284 a day), Karachi (280) or Islanbul (286).



# Robert Graham gives an aficionado's guide to Naples, scene of this week's G7 summit

he Bourbons used to make their regal entry into Naples by sea. So did Admiral Nelson in search of Lady Hamilton, It is, to this day, also the most convenient way to reach the heart

of Naples. The heads of the G-7 countries will, however, arrive by air for their meeting this week. This is, yes, more in tune with the times, but air travel misses the sweep of the Bay of Naples with the volcanic cone of Vesuvius in the background.

Unfortunately, most people's impressions of Naples are coloured by negative experiences within minutes of setting foot at its airport or two railway stations. This is unfortunate because Naples is unquestionably the grandest, if not also the most maligned and most chaotic, of the great Mediterranean port cities. Naples and the Neapolitans deserve a second, even a third, chance.

The airport ordeal begins even before landing, as the aircraft navigates a perilous path between illegally built apartment blocks and the tops of ancient chemical plants that ring the runway. Then comes the wait for baggage which has a habit of losing itself. Be quick to report luggage that does not arrive: I was once allowed to search the holds of five parked aircraft and, eventually, located the lost piece

about to be dispatched to Bari. Luggage in hand, it is best to opt for a taxi. The cardinal rule about Naples taxis - who consider any passenger, especially one from out of town, fair

Grandeur and chaos This is particularly adviseable

for the journey to central Naples, which takes at least 45 Here is a fairly standard routine between passenger and

driver. "Could you put on the metre?" "I'm afraid it's not working." At this point you threaten to

get out of the taxi. If done with good humour. you will immediately be called Dotto (Doctor - a sign of respect) and then be treated to a display of Neopolitan driving - something to be experienced, not described. But you may still be cheated with some spurious supplementary charge

Naples offers two railway stations. Napoli Centrali is the main terminal. But Centrali suffers the inconveniences of being surrounded by a square with often grid-locked traffic and a high proportion of assorted eastern European alms-seekers and local importuners. It is often easier to go to Napoli Mergellina which is close to the sea front, less crowded and allows access to the main hotel area in less than 10 minutes.

Inter-city trains only ever stop at one of these two stations. However, there is a useful underground link between them - the only part of the city's long-promised metro. Public transport is erratic and crowded, although in less



Castel Dell'Ovo's ancient hulk looks out over the Bay of Naples

has performed wonders. He has managed to reduce the appalling traffic jams of the past merely by making the traffic police work. A large number were found to have been clocking in, only to go home with the excuse that the traffic was than six months a new mayor so had that their presence

tive to spruce up the city and improve its workings. The city centre is usually easier and more enjoyable to negotiate on foot. Going by bus can be an uncertain experi-

made no difference. The G-7

summit is an additional incen-

as passengers are meant to, but board anyway because no one will bother to check.

The best of Naples hotels are on the corniche of Via Partenope, overlooking a small marina and the ancient hulk of the Castel Dell'Ovo, with the Bay and Capri in the distance. Prices are more or less the same, with the Vesuvio at the top of the range - over L350,000 (\$220) a night. The Santa Lucia is well-decorated with Nespolitan antiques and has helpful staff, while the Excelsior appeals to those attracted by faded grandeur. If you want to pay less, look for the smaller hotels in Chiaia.

ia Partenope corniche has the advantage of being fairly self-con-tained. In front, there are a good 15 restaurants around the Castel Dell'Ovo marina, all serving good Neapolitan cuisine. If you come to Naples on

business, it is a shame not to see some of the sights. The priority must be the Museo Archeologico (one of the world's top museums, with the finest finds from Pompei). There is a surfeit of churches, Roman and Greek ruins at Pausilypon, palaces and art collections. The Capodimonte Museum, the most important art gallery, is currently closed for restoration.

For those with time to go to Pompei it can be reached by train from Napoli Centrale. The journey, scheduled to last 45 minutes, in the manner of Naples often takes longer.

had resigned myself to watching US chat shows with presenters who burst into tears, when Luly

came to my rescue. I became an ardent viewer of chat shows on my last visit to the US. They appeared on television in the early hours, and from 2.20am onwards I was wide awake in my hotel room. Back home in London, it was 7.20am, my usual waking time. The chat shows were compelling. In one, the host asked his

guest if she had had an unhappy childhood. She had. The host wept copiously. miraculously perking up in time for the commercial break. During the day, I paid for this indulgence. I battled to stay awake during interviews, felt hungry when I would have been eating in London, and had no appetite when I had to join people for meals in the US. There was, I thought, nothing that could be done about jet lag, until I read a book called Around the World in Eighty Ways, published by Wexas International, a club which organises travel for its members. The book is full of famous people's travel tips, Lulu, the pop star, gives this remedy for jet lag: do not eat

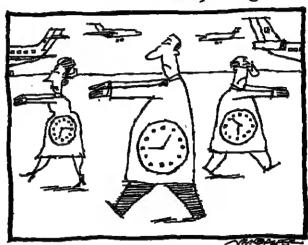
on the aircraft. Diana Rigg, the actress, offers the same advice: "While on board, eat as little as possible and drink as much as possible, preferably non-alcoholic. Sounds dull, but it works." I have tried this twice now.

on long trips in opposite direc-tions. It is dull, but being in an aircraft is seldom thrilling. And it does work

On a day-time flight to the Caribbean, I did not avoid food

# Time travel to a flexible clock

Michael Skapinker divulges how he avoids jet lag



entirely, eating just enough to keep hunger at bay. I drank every non-alcoholic drink I was offered. I had no jet lag

I followed the same routine on a trip to Hong Kong, with the added challenge that this was an overnight flight. I arrived in Hong Kong in midmorning, having snatched a few hours sleep on the flight. I went straight to a welcome lunch and then on to two interviews, finishing in the early evening. I was slightly weary, but without the feeling that

my mind and stomach were operating to a different (t

This is not the only way to avoid jet lag. In the same book, the actress Maureen Lipman says she heard it was a good idea to put brown wrapping paper, cut to the shape of an inner sole, inside your socks.

She does not say whether she has tried it herself. Has anyone? Does it work? Answers on this or any other jet lag remedy to me on fax 071.873.4343.

# **CONFERENCES & EXHIBITIONS**

JULY 6 SECOND CITY OF LONDON **DERIVATIVES CONFERENCE** 

Bankers, regulators and users discuss pervision, capital adequacy, new product velopments and problems in the markets. Sponsored by CSFI, Tokai Bank Europe. Arthur Andersen, Freshilekis and Lombard Risk Systems. David Mullins Keynotes. Details from: Cityforum Ltd. Tel: 0225 456744 Fax: 0225 442903

JULY 7 REAPING THE BENEFITS OF TAX INCENTIVES FOR INVESTORS

A WORKSHOP FOR FAMILY BUSINESSES The Enterprise Investment Scheme provides an exciting opportunity for companies to raise finance for development and expansion. The workshop will provide guidance on the eligability of your business to benefit from the schenge and a checklist of steps to take. Contact Frie Ttoffali.

LONDON JULY 11 KAZAKHSTAN

Stoy Centre for Family Business

CBL International Tax & Investment Centre Conference provides comprehensive programme, including Sensor Ministers and company case studies, on current econor tex and legal framework to arrast trade and Contact: Nicola Martin, CBI Conferen

Tel: 071 379 7400 Fax: 071 497 3646

PART TIME WORKERS - FULL TIME PROBLEMS

This conference focuses on problems facing employers seeking to expand their part time workforce. It offers practical advice on and solutions for impl part time workers strategy and for aximising the efficiency of a part time Further details from International

Professional Conferences Ltd. Tel: 071 233 7733 LONDON

JULY 13 PROFIT FROM WASTE MINIMISATION CBI/NRA half-day savings achieved through environmental

best practice using case studies from current projects - Aire & Calder and Contact: Sandra Aldred CBI Conferences.

Tel: 071 379 7400 Fax: 071 497 3646 LONDON

JULY 14 EC COMPETITION LAW

This one day workshop will analyse the basic principles of Article 85 (anticompetitive agreements) and article 86 tabuse of market power) and intellectual property rights interspersed with practical agreements and patent licenses. Further details from International Professional Conferences Ltd. Tel: 071 233 7733 LONDON

SAUDI ARABIA

JULY 15

CBI conference, in association with the Saudi British Bank, brings together experts from a wide range of disciplines to examine nt and services opp Speakers include Douglas Hogg and Abdallah Dabbagh. Contact: Nicola Martin, CBI Conferences

Tel: 071 379 7400 Fex: 071 497 3646

SLICCESSFUL CONTRACTING

FOR THE PUBLIC SECTOR CBI Conference covers Market Testing and Compulsory Competitive Tendering rules and procedures, dealing with TUPE, plus practical advice on contract ion and management. Keynote address by William Waldegrave. Contact: Sandra Aldred CBI Conferes

Tel: 071 379 7400 Fax: 071 497 3646 LONDON JULY 21 PRIVATISATION - MAINTAINING

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# The French connection

John Ridding looks at the country's growing multimedia businesses

tury, M. Milaves.

Annual revenues from Mini-

FFr7bn, derived from almost

hours of connections by

subscribers up you But will

vice 🛌 🗠 wirel by new

products in Trail Telé-com's multimedia subsidiary?

Heli Maury and Eymery believe not. At least not yet.

"We will provide an extension to Minitel services," says Eym-ery, who argues that the limi-tations on image quality on

Minitel and the different ser-

vices being provided by the

to complementarity will

Maury believes there is still

a solid laminate for Minitel.

"If you just need a telephone

number then you don't need multimedia," he says, referring

to the system's core directory

service, still the single source of demand from Walle

He believes growth will be

maintained through the addition of more sophisticated services and through higher quality sound and images,

particularly through connections via personal computers.

Within the next few months

France Télécom is due to launch the high-speed Teletel Vitesse Rapide which, it says,

will permit faster connections

and improved image quality

for Minitel users. A minitel ter-

minal with a smart card reader

is also due to be launched,

allowing remote payment from

with the promise of informa tion superhighways, both mini-

tel and the existing cable net-

work may run into technical

constraints. "Down the road,

business and private consum

ers may want faster systems with higher quality images,

says one telecommunications

analyst in Paris. This would require the creation of a fibre

optic network linking house-

holds and companies," he adds.

fibre optic network, linking

households, is currently a topic

of hot debate in France. Anx-

ious not to be left behind by developments in the US and

The creation of a nationwide

home using bank cards. In the longer term, however

than competition.

are already approaching

link up to a new pay-per-view movie channel launched by France Télécom al multiing group, Land Land Lanched this Autumn. The media partners. For FFr29 (£3.45), excluding in rental cost of the cable connection, bele-shopping channel is expec ted to start services by the end of the year, and is due to be subscribers can save a trip to such as channel for betting The pay-per-view movie on horse the for The various projects reflect

THE WORLD'S

**SUPERHIGHWAYS** 

the television channel, and

CLT, Luxembourg casting group are also partners in the project. Negotiations are

currently under way to deter-

mine the allies in the tele-shop-

Pitriller offehi, Brenn Teld-

com has taken an unspecified

equity stake in General Magic,

the California-based interna-tional multimedia group. Last

month the French state tele-

coms group announced it

would take a 15 per cent stake

in a Japanese multimedia

group, alongside 📭 Japanese

shi, Call and Seiko.

panies, including Mitsubi-

Tie mere for partners, with

Eymery in thirm by strategic

ing in develop higher-value

dded services, so we need to

tie up with companies with

Financial considerations are

expertise in relevant areas."

a secondary consideration,

partly make of the relatively

mail with of the investments involved. The initial outlay on

channel is one of the services leaving are drawing board France Télécom Multimedia. Set up in March, its aim is to keep all the interna-tional multimedia industry, particularly in the US, France Télécom's strategy of entering little through partnerships. The pay-per-view exploit what the state-owned telecommunications company investment with Lyonnaise des sees as "a major growth mar-Raux, the construction for the group. With the communications group which operates the cable market market etwork in the Paris area. TF1, 1998, the development of multimedia is also a source of alter-

Parisian movie buffs

have had a new source of satisfaction.

By popping a card in their visiopass cable box, they can

native revenues in the world's third largest telecoms operator. The task of tapping this new www if income in to Gérard Eymery, chairman of the new multimedia operation. "We have to find new products and services," he says. "It is not a problem of networks or terminals, but one of discover-

ing what consumers want." As Rymery points out, intervices are nothing new to France Télécom or the French public. For the pest ten years, millions of French fingers have been tapping away daily on the keyboards of Minitel teletext monitors, searching for information on everything from job opportunities to dating partners, paying bills and booking

There are now more than 23,000 different services," says Jean-Paul Maury, director of the Minitel project when it was launched in 1979. After its first decade of service, and with 6.5m Minitel terminals now installed, he says the Minitel is making a return on investment. But if it has come of age, the next generation of multi-media activities is still in its infancy. "We are at the testing

to his new projects.

Next to be tested, following the launch of the pay-per-view movie service, are a video game channel and a home shopping channel. The games channel, to be developed in

stage," says Eymery, referring

been about FFr60m. The home shopping expected to require a total of between FFr80m and FFr90m.

But what of the returns? Eymery accepts | will be gradual "All services like a long says, "That has always been the case, ever since the introduction if the television." Maury running I am in the US, he says, expectations have exceeded reality in predicting the impact of multimedia.

In France, an and Hamil constraint is presented by the low rate of cable subscription. The Cable" launched in the early 1980s, cleared the way for the construction of a state-of-theart cable network. But the high construction, partly passed on to consumers, and the numerousial durates in the second half of the decade to grant licences to new terrestrial and satellite broadcasters has resulted in a disappointing

level of penetration. There currently about households linked network, just 1.4m subscribers. This is one of the rates of penetration in Europe, in margine with 15m meighbouring Germany. "France 11. made just about every mistake in that it possible make," says Eymery. He believe the meating of me injection charmels has been largely in him in the cathe

industry's probleme

espite such obstacles, however. Télécom that pay-perview has had an encouraging start. Subscribers watching 1.7 films month, are than in 1 br similar services, although the novelty consideration. Within the in ten years, claims Eymery, annual from page 1 view could reach between remail Trans Telé-com's multimedia activities could climb in between Intern autoroutes d'inforor information superhighways. The report, by Gerard Théry, birt ..... ing director of France Télécom. is due by the end of July.

Chart Tildiano managing unated to the company, says the target is to install 2m km of optical fibres in the national network by the real compared with a current figure of

820.000icm. For the moment, however, the fibre optic network is not

already expanding Ila network of fibre optic CHEMIC COLUMN RES

being extended to households. And many are sceptical about the costs and returns that such an would generate. "It would take an investment of maybe Francis is link fibre optic cables," says Eymery, who argues the investment would not generate adequate returns in the sum future. Besides, he already has enough on his drawing board.

Previous articles this series:

Telecoms look for

an outside edge

Amid the hype about multimedia and

service providers.

executive of British Europe's more go-ahead operators.

What are the tell-tale signs?

superhighways, one quiet but genuine revolution stands out in the telecommunications industry - the gradual transformation of the large national telecoms operators from utility-minded monopolies to market-minded

The revolution is everywhere

incomplete; in some cases it

Flashy logos, more and better

marketing and advertising ambitious joint ventures at home and abroad. But a less

obvious, and perhaps more fundamental, change is the wholesale replacement of the

senior management of the

It is not just a change of

ersonnel: the type is changing

too. Out goes the engineer and

financial or goods executive, hired to turn

fire a large proportion of the existing staff, not excepting the senior engineers.

Last Hardy's FT touch

highlighted the trend. The

heads of six large telecoms

programme. Only one was a

career telecoms engineer, the other five were outsiders who

joined their companies within

Bessel Kok, chief executive of Belgacom, was chief

executive of Swift, a dedicated

appointment in 1992. His main

financial data processaing

Belgium's politicians to get

his state monopoly into the

Wim Dik, chief executive

Dutch posts and telecoms

of KPN, the recently privatised

operator, prior to his

occupation is bullying

private sector.

on European

THE REAL PROPERTY AND THE

the last six years.

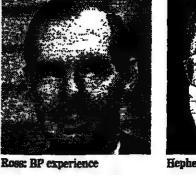
into a brand and to

large telecoms companies

career posts and telecoms

bureaucrat; in comes the

has barely started. "We discovered marketing last year, and can't get over the excitement," quips a senior







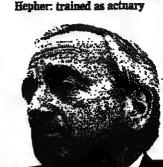


1988 from He of not having spent a day in the public sector prior to KPN, and still serves on the board of ABN Amro, the Dutch bank. Michael Hepher, BTs managing director, trained as an actuary, and was

managing director of Abbey Life, the UK group, before moving to BT in 1991. Cándido Velázquez-Gaztelu Buiz, chairman of Telefonica, the private sector Spanish monopoly, was director general of Tabacanarias, the Spanish

tobacco group, until 1989. Harris, chief executive of the UK's Mercury, is a union of old and new. He came to Mercury two years ago, fresh from masterminding the launch of the UK's first elephone bank, First

Cable M Wireless, Mercury's parent company, is the model revolutionary, having dispatched its entire ancien régime. Its chairman, Lord Young, is ■ former politician and construction tycoon. James Ross, chief executive was until two years ago managing director of British



Young: politics and building

Telecom, C&W's largest was recruited last year from Cathay Pacific, the

Hong Kong airline.
Oil, construction, airlines banking - C&W has everything but telecoms experience among its senior management. For advice on the widgets, the management board relies on Sydney O'Hara. Even he is a new arrival from BT, where he was deputy director of the company's

research labs. The sixth executive at the conference was, perhaps, the exception which proves the rule. Charles Rozmaryn, chief executive of France Telecom. is every inch the telecome careerist: a graduate of the Ecole Supérieure des a succession of posts in the Direction Générale des Télécommunications before

his current post. Yet France Telecom defles all the maxims about state control equalling inefficiency and a dynamism deficit. What next, if it becomes Europe's only telecoms operator run by people who know what they are talking about?

# Games Blockbuster plays

ndustries Correspondent

In the mid-1980s, two friends working in a garage could produce a perfectly acceptable video game. Today, says Robert Devereux, chairman of Virgin Communications, teams of 12 to 20 people have to work on games for up to Devereux says: "We very

rarely develop anything for less than a seven figure sum. Wave got \$40m of product in development at the moment. You can make half a dozen mid-priced movies for that." Devereux's company is developing a

game called Hoops. It will have 19,000 frames of animation. The data storage systems required for these games are increasingly complex and expensive, he says.

The escalating cost of making video games is one of the reasons why Devereux announcement that Blockbuster Entertainment of the US is to increase its stake in Virgin Interactive Entertainment (VIE), Virgin's video software subsidiary, from 20 per cent to 75 per cent.

VIE develops games and entertainment software compatible with Sega and Nintendo hardware systems. It also devises games for personal computer and compact disc read-only memory (CD-Rom) systems. It will shortly release games



Robert Devereux: games business about to enter difficult period

based on the Walt Disney film of the Jungle Book and the animated feature movie the

Lion King. Blockbuster, which is the world's biggest video rental company, is to sell its entire VIE stake to Spelling Entertainment, the Hollywood ■Im production company in which it has majority stake.

Devereux Blockbuster admits li about the development of midsoftware. That is why VIE will be owned by Spelling which is more familiar

entertainment producti The London-based Devereux, who is also in charge of Virgin's terrice min and book publishing will Steven Berrard, Blockbuster's president, will become

The advantages of the link with Blockbuster, Devereux says, are the marketing muscle it will give VIR and the size of the US company's distribution network: 4.250 shops worldwide.

Another reason why Devereux says he is pl to be linking up with Blockbuster is that the video games business is about to enter a difficult period.

The first problem is that players are becoming bored with the range of games on offer, he says. The second is that the machines on which the games are played are going to change in ways that will

cartridge-based games to CD-Rom. Devereux believes this Christmas will be the last to see substantial sales of the corrent generation of 16-bit cartridge based machines.

Not all of the large games companies, however, will move on to CD-Rom machines. Sega and Sony will, but Nintendo is bringing out a 64-bit cartridge based machine. Another growing developme Devereux believes, will be CD-Rom games for personal computers.

The fraementation will make games players reluctant to buy machines until they know which system is to

# It's amazing what can grow and flourish in the desert. Fifty years ago next year, Saudia, Now, we're poised to take off into Sandi Arabian Airlines, began flying the 21st century. We've placed a passengers and cargo across the Kingmassive order for new aircraft, fitted dom in a single, twin engined DC3. put to our own, luxurious specifications, Today, we have a fleet of more than which will make our fleet probably the 100 aircraft and we fly more people in most modern and sophisticated in and out of the Middle East than any the world. Ahlan Wasahlan. Welcome aboard other airline, offering our passengers saudia 💥 a blend of smooth, modern service Proud to serve You and traditional Arabian hospitality.

# The chef, the hotelier - and their profits

### Nicholas Lander talks to French chef Ioël Robuchon about his new venture

Joël Robuchon is the most highly esteemed chef in France. His talent has taken him to the heights of his trade, in country which believes it has taught the world how to cook.

Among fellow chefs he is respected for his integrity and professionalism.

Those who have his food recognise his ability to extract the finest flavours, not only from ingredients such as lobster, caviar and truffles but from the more prosaic potato and salad. His "pommes purées" are considered the best. By reinfroducing them onto a top French menu in the early 1980s, Robuchon started a trend that spread around the world.

His relatively simple salad of fresh herbs would have delighted the nuns who ran the seminary kitchen he started work in 37 years ago. It there that he fell under spell of and its cooking.

Despite his talent, Robuchon is not a man who likes to shock or steal the limelight. Softly spoken, with deep-set eyes, he smiles easily. He enjoys talking, particularly about food, the about the art and profession of cooking.

Yet the latest stage in his career casts an intriguing light upon the economics of being a modern day super-chef. Last year he shocked peers and countrymen by announcing he would be closing his three star Michelin restaurant in Paris, Jamin, and transferring his entire brigade to the kitchens of Le Parc Victor Hugo, a new luxury hotel. In the pro-cess, Robuchon stepped into the arms of an international hotel chain.

Le Parc Victor Hugo is owned by La Compagnie International Phénix which operates 31 hotels, predominantly in Paris but also in London, Amsterdam and Geneva. Its main shareholders are Compagnie Générale des Eaux, one of France's leading utiliuse and Assurgment Communication the France, a large, state-owned insurance

company shortly to be privatised.

Robuchon's standing has allowed him to command impressive terms from the two corporate giants. The combined workforce of the two companies is more than 250,000. Yet last week at the official opening of Le Parc Victor Hugo the enthernities between Wincian and

CIP was described a "partnership" However, in spite of the status the deal gives him, a troubling question remains: why is it that man at the peak of his career, as chef and propri-etor of a three star Michelin restaurant, has chosen to compromise his indepen-

The most suitable analogy for this unlikely partnership lies in the Middle Ages. Robuchon is the brilliant artist and CIP the powerful nobleman, whose patronage will ensure Robuchon's survival and eventual fortune. For these days few celebrity chefs can live by

Born in Poitiers in 1945, the son of a mason and a mother who cooked simple French food, Robuchon entered a seminary at the age of twelve to train for the priesthood. He worked in the kitchens, alongside the nuns, and it was they who alerted him to the pleasures and

satisfaction of cooking.
"Cooking is one of the professions," Robuchon stresses, "which demands that you use both your hands and your head to the same level of

The need to supplement the family income forced Robuchon, aged 15, into the kitchen as an apprentice in the hotel and restaurant, Relais de Poitiers. A year followed as a Compagnon du Tour & France, during which like medieval journeyman, he travelled the France, reporting in each city to an him to

Robuchon believes, despite the hard work, that this training as part of a team, was invaluable. There are many, many chefs who can cook expertly but the hardest task facing any chef today is building a brigade, maintaining a

In 1965 Robuchon left the provinces for a job at The Berkley hotel in Paris to work under head chef Andre Moreau, compete at every available opportunity. This competitive era convinced Robuchan to strive for the top. In 1968 while many of his colleagues were gripped by revolutionary fervour and several left



ion. Rubouchon ploughed on. By 1970 he had become the youngest chef to win the Prix Taittinger, perhaps France's most arduous culinary contest and by 1974, aged 28, he was head chef responsible for 90 chefs serving 3,000 customers. In 1981 he opened Jamin gained three Michelin within three years.

Chief bicolog minds many in the 1980s, Robuchon believes partly because none of those cooking at the very highest level make a profit in the dining room. Dinner chez Robuchon will cost \$200 per person with modest wines -but the perishable raw ingredients are only the very best and the labour costs are very high. At the state of the rants, staff of 45 serve no more than 50

Robuchon William without strong financial parent top chefs have had to find other sources of income -by writing books, making television appearances or endorsing w range of foodstuffs - to support their restau-

So he was particularly vulnerable

IN THE NEWS

### Wagoner rides ever higher at General Motors

To say that Richard Wagoner's rise to the top of General Motors has been meteoric is to risk understatement, writes Martin Dickson.

Two years ago, at the age of 39, he was plucked from Brazil, where he was head of GM's operations, to become the group's chief financial

Last week he was promoted again, to run GM's North American vehicle operations (NAO) - the troubled heart of the world's largest industrial company, And he is still only 41. Little wonder, then, that he has emerged as the front-runner eventually to succeed Jack Smith, GM's 56-year-old chief executive who gained the position after a boardroom coup in 1992 and has been running NAO himself until now.

Smith displayed his confidence in Wagoner last vear when Jose Ignacio Lopez de Arriortua, the volatile Spaniard who had been running GM's worldwide parts purchasing operation, auddenly quit this key position — and an offer to head NAO to join Volkswagen, Smith added the Lopez job to

Wagoner's finance portfolio. . Wagoner is a tall, extremely articulate man with self-deprecating sense of humour and a maturity of manner beyond his years. He cozes leadership and as finance chief won over Wall Street with his clear, frank briefings on GM's problems.

After gaining a Hervard MBA in 1977 he joined GM's New York treasury department - also Mr Smith's training ground - and then saw widespread experience abroad, with two spells in Brazil, one in Canada and two years in

Wagoner faces a huge challenge at NAO, which will return to the black this year but is a long way from producing a decent financial eturn.

It employs too many workers and bureaucrats, with lower productivity than rival manufacturers, making too many vehicles which lack design flair and are poorly

Wagoner's firm but friendly style, methodical approach to problems and desire to build consensus should help him in slimming GM in cooperation with the group's belligent union leadership.

the has gone some way to smoothing relations with GM's part suppliers, who were angered by Lopez's confrontational approach. "He listens well and has a desire to bring people together more," says one supplier. says one supplier. As head of Brazilian

operations in 1991-2, he is uted to have brought in the kind of cultural change and lean production systems now required at NAO. A potential weakness is that

he comes - like Mr Smith -from the financial side of GM. rather than motor nanufacturing. He may thus find it hard to produce the kind of engineering excitement and design flair that many GM vehicles badly need.

Still, he may be able to make GM vehicles more attractive to a segment of the market where it is badly lagging young Americans. He's almost one himself.

### Schmidt sweeps up at Denmark's ISS

The battle for power at the world's biggest cleaning company has been settled writes Hilary Barnes. Waldemar Schmidt, 58, has been tapped to take over from Poul Andreassen as the next chief executive of the Danish-based International

Service Systems (ISS). Schmidt, managing of ISS Europe in London since 1989, has been appointed deputy group managing director and will take over the top job in May 1996. He will have a hard act to follow in Andreassen who joined ISS more than 30 years ago when it was one of many small Danish cleaning companies. Since then he has built it up into the world's largest

cleaning group with 130,000 simployees in Europe, Nursir America and Brazil, and a 1993 turnover of DK+13.8be Schmidt's main contender

for the job was Henrik Slipsager, 39, chief executive of ISS's US business. Slipsager announced last Thursday the he plans to quit at the end of the year but will continue as a member of the board of the

### Hilbert's policy for happy longevity

Maverick' is a word that to Stephen Hilbert. A dozen
years of wheeling and dealing
has brought the 48-year old
founder of life insurance group Conseco his share of controversy, writes Richard Waters.

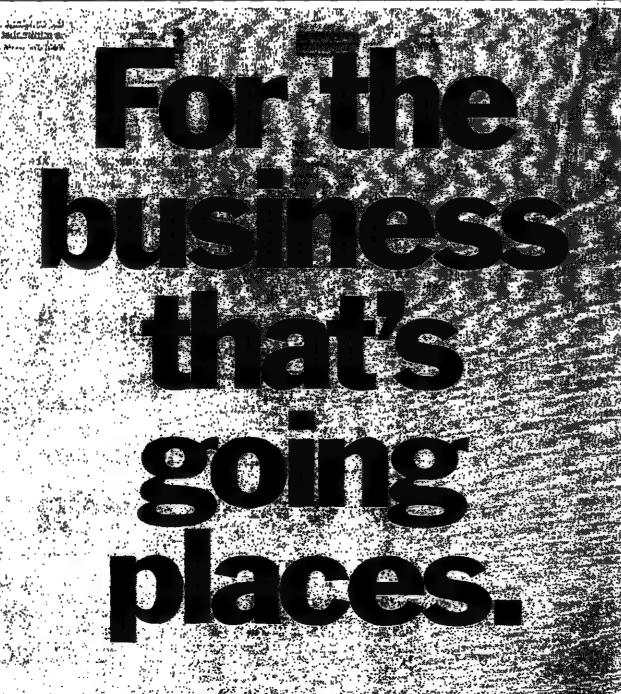
It has also brought him to the brink of his biggest coup, a \$2.70n takeover of Kemper, the embattled insurance, fund management and stockbroking.

Hilbert is an unusual enima in the US life insurance industry, as well as its most lavishly rewarded executive. His rise stems from a single Big Idea, hatched in 1979; that the fragmented insurance business, burdened with heavy costs, was due for an overhe

Starting out with \$10,000, it took Hilbert until 1982 to get the backing to launch Conseco, and since then he has bought 11 insurance companies. Along the way. some of the US's biggest investors have thrown their considerable weight behind him. Calpers has \$100m in Hilbert's latest acquisition vehicle: GE Capital, whose own bid for Kemper Hilbert topped last week, was an investor in an earlier Conseco partnership.

Based in Carmel, Indiana. Albert's rapid rise has brought him enemies. But he has withstood the criticism of Wall Street and the regulators and and came back fighting - even if his share price has retreated a third from its high point 18 months ago.

As he once told the Indianapolis Business Journal:
"I believe the only way you really get rid of all the negative comments is to outlive everyone else." A message the venerable but labouring Kemper will no doubt take to heart, as it prepares to forfeit its independence.



On Thursday, July 7 the Financial Times will publish FT Exporter, a 24 page quarterly review providing comprehensive, up to the minute news and information for exporters. It will give expert analysis of developments in world trade following the signature

FT Exporter Survey. Thursday,

the GATT agreement. And it will look at those areas which may pose some unexpected difficulties for

If your business is serious about succeeding in overseas markets make sure you buy the FT on Thursday, July 7.

Financial Times. Europe Leusiness Newspaper.

# ARCHITECTURE

# Stonehenge: danger major road ahead

Colin Amery backs the suggestion by Jocelyn Stevens that a tunnel should run under the famous monument

when the recession of the early 1990s

brought empty tables, smaller bills and ahrinking profits. In 1990 Robuchon met

Jean-Marc Oury, CIP's chairman, as the

company was embarking on a \$5m plan

to convert five 1912 townhouses into Le

Parc Victor Hugo. Oury lured Robu-chon to the hotel with a deal in which

Robuchon owns the restaurant but pays

rent to CIP. He does not get a salary but

keeps the restaurant's profits and acts

as consultant to the hotel's brasserie,

which is considerably cheaper than the

Robuchon believes the security of

this partnership will allow him to set

new culinary standards and to shape

the future of French cuisine. "Cooking

has changed fundamentally since I began in 1960. It used to be the quality

il the sauces that was important. The

produce itself was secondary and often

you could not tell what you were est-

ing. Today what is important is to

respect the produce you are working with and fix in your mind its teste and

flavour so that you can recognise the precise moment it is cooked. That is

what I must teach."

restaurant.

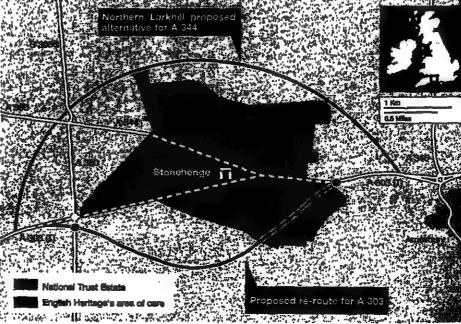
ocelyn Stevens, chair-man of English Heritage, is much too good to go. He is rumbling and threatening to resign if the Department of Transport goes ahead with plans for a new major road close to the site of Stoneb He is right to be angry with the short sightedness and folly

of the DoT. Stevens has incredible enthusiasm for his job and he has galvanised much of English Heritage into greater efficiency. When it comes to Stonehenge, he and the much of the site) have taken their time to realise how terrible the present situation is in the and in a reputation 🔳 archaeology in

If you attempt to visit the stones today you will see the ugliness of the car park, the closeness of the roads and the sheer unpleasantness of the tunnel approach to the site. The stones themselves are isoated as if in a concentration camp and surrounded by a high wire fence.

The public accounts committee of the House of Commons condemned the presentation of Stonehenge as, "a national disgrace" and ever since the stones were placed in the care of English Heritage in 1984 ways have been sought to

improve things.
Stonehenge is one of the world's most important prehistoric sites and has been recognised by Unesco as a World Heritage Site. There are more than 450 archaeological monuments within the boundaries of the sire and in the years 3000 BC to 1200 BC the area was filled with settlements, tombs, and sites where the flint indusWays around Stoneness.



try thrived. The ritual elenow the most visible and fascinating things about the area. They deserve to be treated with immense respect and dig-

lient showman and he has become something of a convert to the excitement of archaeology. He now realises Stonehenge could become a 2000 acre prehistoric park that could easily become an international tourist attraction of even greater significance than it is now. It is the real thing, not a Jurassic Park or Disney recreation. All this would be ruined by a major new road. As an alternative English Heritage proposes a radical solu-

The Stevens plan is for a 2.8 mile twin bore tunnel beneath Stonehenge. This would allow the removal of all roads that damage the site. It would also create the opportunity for a large visitors' centre near Amesbury and a small railway, which would carry visitors to the "sunken observation and interpretation centre", from where they would be able to wander freely among the

only by sheep. Money is the uncertain artur in

The tunnel could cost up to 2200m so the DoT has propos that takes the A303 through Ministry of Defence land at Larkhill. That is expected to cost £30m.

Because this road passes close to an ammunition dump and the officers mess of the Larkhill Garrison it has been partly re-routed so it now impinges on two other crucial archaeological sites. Stevens thinks that this route is not the answer - only a proper tunneled road can ensure that Stonehenge is seen in a timeless setting, free of the detritus of the 20th cen-

ow successful the campaign for the tunnel will be depends upon the outcome of a conference that is being held in London this week (Stonehenge The Great Debate - July 8, Queen Elizabeth II Conference Centre) where international experts will explore the monument's future.

the DoT on the spot. The minister, Steven Norris,

will face several learned professors in road economics and engineering, including world experts in engineering Proponents of the tunnel

believe the debate will show !! that the costs of a short tunnel will be much less than govern-Stevens is optimistic that the

visitors' centre, near Amesbury, will generate considerable income from shops and

It is doubtful that it will pay for the tunnel, but private enterprise has to be involved nel cannot be ruled out.

Can Stevens succeed in selling the Ministry of Defence nd the Ministry of Transport his vision for Stonehenge? It is a potent vision - a giorlously peaceful park dedicated to the mysterious rituals of the great

If the road lobby wins, I sus pect that the nation will feel that Stevens is right when he says that if the government sanctions a low-cost, destructive road we will know that



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And the second

clock will lure city workers cent at the office as the luechtime concerts and serfy evening organ recitals of the City of London Festival get underway.

taking place in: the city's instoric charches and encient livery halls. Al fresco entertainment is also on offer at the Broadgate Arena, which has tree theetre: lazz or cabaret most weekda kunchtimes. The feetival ands on July 20 with a traditional visit to St. Rauf's Cathodral, this year for Walton's "Belstrezzar's Feas

CLASCOW BB King (below) bridge his trusty Lucille to the Glasgow International Jazz Feetival tonight. On Wednesday, soul-jezz planist Horace Silver has the Brass Ensemble in low et the Old Fruit Market, and on Thursday Al Great's evergelical faisetto will be melting hearts at the Royal Concert Half. A rare visit by the Max Roat's quartet on Saturday should relaticle memories of the great



NEW YORK The Mostly Mozert Festival opens tomorrow at the Lincoln Center with a concert in which baritorie Thomas Hampson will sing area from Mozert operes and Shura Cherkessky will play Chopin, Gues conductors during the seven-week stival include Mark Elder, Jane Glover (right) and Joshua Riffon. One of the more musual programmes is a concert on July 28 when three planists of contrasting styl Holene Grimaud, Robert Levin and Cecile Licad - will play three different Mozart concertos

rance's leading theatre festivel begins on Friday with a new production of Europides' "Andromache" directed by Jacques Lassalle. The programme, one of Avignon's strongest of recent years, also includes Shakeepeare's "Henry VI" directed by Stuart Seide, the French pramiere of Tody Kushner's "Angels in America" and three short plays by Edward Bond. Japan will be represented by classical and contemporary Noh theatre, a traditional dancethesire production and several prominent directors.

NATIONAL THEATRE The British Chekhov tradition has enjoyed a rich run, its latest is the National The the's account of "The Seegath, directed by John Caird, which opens on Thursday, Savertil of its cast including Judi Dench Petherbridge, 58 Nighy. Anna Celder-Marshall and Norman:

# Firebrand or fashion victim?

Can Peter Jonas, controversial ex-director of the ENO, win over conservative Munich audiences, asks Andrew Clark

important week of Peter Jonas's career. The for-mer general director of English National Opera arrived in Munich last September with mandate to make a notoriously meaning institution, the Bavarian State Opera. The Munich opera limit, opening on Wednesday, is his first major test. It will show how far he has won over the Munich public to his controversial views on music-theatre. Jonas's appointment as the State

Opera's first non-German intendant aroused high expectations. In London, he had played a key role developing ENO's reputation me bold theatrical and enterprising repertoire. about "making opera open w everybody". The same ing the Property of the same in "going along in paths of adventure that are important us". That was wall marked Munich's city

was the price ENO paid for Jonas's
The production will and brash make of the late 1980s allenated many of ENO's core supporters, without winning the imaginary new audience to produce them. Jonas and his colleagues seemed to prize mirst-night scandal above a solid artistic success. There was an

In the Jonas left Limited ENO bad fallen 📷 56 per cent, the deficit had to the company had a sharply diminished stock of revivable productions. Not all this could be blamed on the reces-

On his arrival in Munich, Jonas made risk in would pursue "interpretative rather than representauncial theatre" - productions designed to provoke than market like wast gim to reach a wider miller than the Opera's traditional public. He would build m four pillars - Wag-Verdi and newly-commissioned

WOTES. As in London, the radical nature of Jonas's agenda was camouflaged by his legendary charm all eloquence. He talked about policy in a way limits could understand. Unlike his predecessor, Wolfgang Sawallisch, he was image-conscious and knew how to court the press.

The first evidence of a new direc-

tion came in March with Richard Jones's Jurassic Park treatment of Handel's Giulio Cesare. The premiere was accompanied by the kind of booing and cheering that had been de rigueur at ENO. German critics found the production cheekily entertaining, and it developed a cult-following among Munich's younger, more progressive theatre-

Jonas is hoping Wednesday's new production of Tannhäuser will cause an even bigger splash. Wagner is a house god, and Jonas has chosen one of his most provocative ENO collaborators, David Alden, to stage it. Next season brings a transfer of David Pountney's ENO version of The Adventures of Mr Brou-cek, a Nicholas Hytner staging of Don Giovanni, and Parsiful directed by Peter Konwitschny, a graduate of the didactic Ruth Berghaus school of east German opera pro-

The question now being asked in Munich is whether this programme amounts to "aesthetic renewal" as Jonas claims - or merely a grafting of the "powerhouse" aesthetic from

Jonas, who controls a budget of DM124m (£50m), has never hidden his wealthy Munich burghers who organisation. "I have never in the whole world seen so much fake jewellery and dyed hair," he said earlier this season. "Many women look like gilded Christmas tress". He talks of "the possessiveness these people feel about their opera - they regard themselves as owners of the works being performed and shareholders of the company. But we're too dependent on them to slap them

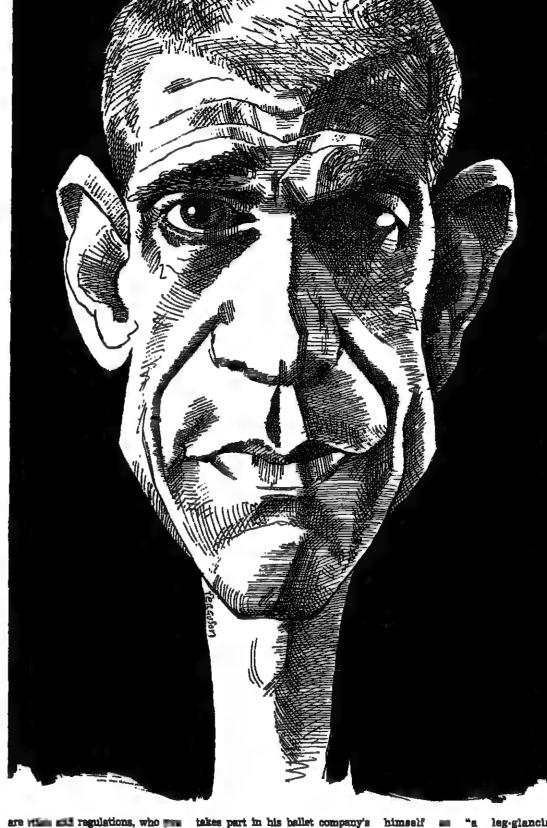
a believes III 11 years with Le Chicago Symphony Chambre and nine with the LMC have prepared him well for his was at Munich. "One's set great set a sexperience of how things work. In London 🖫 🗪 pretty difficult, we we more dependent as speculative customday. Munich it's Chief Carden The subscription audience provides a man backbons 11,000 people, min il have subscriptions." It is, he says, all a question of "You have to be able to convert will traditional audience and draw some new people. Ultimately, you have to rely on instinct - the feel you have on the tiller of the direction you're going."

This sensitivity, however, is un very quality American make that ing. "He doesn't seem to have feeling for what 🖫 appropriate for Munich," says Marianne Reissinger of the Abendzeitung, citing desired a and his approach to Verdi. In the past, Verdi's rours him been successful in Munich only when tackled from the highest musical level: Simon Boccanegra with Abbado, La traviata with Kleiber, Macbeth and Aida with Muti, La forza del Sinopoli. Jonas handed Un ballo in maschera the German conductor Peter Schneider, and the performance was about as un-italianate as you can

hether Jones was wise to choose Schneider m the director is open to dilede bylanday in likeble and hard-working, but lacks artistic personality. One \_\_\_\_\_ of the unbulla expresses the widely-held view that Illus "doesn't have much interest in the musical side. He doesn't talk about opera in terms of music or making people happy."

On that last point, Jonas is inclined to agree. He says comic opera "is never going to be very visible with me around, because I've always been more interested in the Sturm und Drang kind of thing. I just have a certain taste. One is chosen for one's competence, I suppose, but also for one's taste. That may be my undoing or it may be my glory. Whatever the outcome, I'm not going to change." of his London

experience unlikely unlikely repeat in Munich is his begging-bowl speech-making from the stage. "It's extremely liberating here, in that the basic argument about the necessity of the arts was won ■ long time ago. Having ■ State Opera in this town is an accepted ica. We meet the politicians, of course, but it's not oppressive. The civil servants are helpful. What is difficult is the bureaucracy.



can hire and what you can pay for. be quite enervating. But I'd prefer will kind if circuitous difficulty, and here to employ accepted." A fastidious 47-year old, Jonas

life in Munich learning in struggle London. His home a hard walk from the theatre. In work-outs. The son a a German-Jewish later a half-Scots, half-Lebanese mother, occasionally the bought by night ENO.

has joined lim MCC - Munich Cricket Club. And cricketing metaphor to

himself m "a leg-glancing professional - giving the treating difficult things rather lightly, concept foreign the hope I can make this job work. But If they believe it is in in a fin a direction, or be to it was, that's fine - they can just rid of ma."

# Opera/Film More beast than beauty

he theme of transformation is central to Cocteau's magical film La Relle et la bète. Not only does the Beast turn into a Prince, his castle is also alive with statues that become human, invisible hands that open doors and jewels that turn into worthless

Now the composer Philip Glass has endeavoured to make his own transformation of the film. Last week's "Meltdown" festival on the South Bank brought film and music together as part of its theme of new work in the arts crossing boundaries. Glass's re-working of La Belle et la bète is almost impossible to classify. He calls it a "live opera/film event", the programme an "opera for ensemble

What it involves is as follows. The Cocteau film (its original un-edited version) is shown on a big screen, but without its soundtrack. A quartet of singers sing the words that would have been spoken by the actors and a small ensemble combining keyboards and saxophones provides the live accompaniment. This showing was billed as part of the "world premiere tour", but the conductor, Michael Riesman, seemed practised at keeping the music in sync with the

As in Nyman's film scores (so fashionable of late) the constant motor rhythms of the minimalist school can become wearing over a film's unbroken hour-and-a-half duration. Glass varies the pace more, but still not enough. In the intimate encounters between Beauty and the Beast one longed for the repeated chords to relax their pulse just for a few minutes.

Otherwise Glass has put together an atmospheric score, which captures the grand guignol fantasy of the film. Whirling upward scales set the mood, underpinned by ominous rumbling bass lines; bells peal along the chateau's dark corridors, their ring electronically twisted into the shriek of ravens. Unfortunately the amplification of the music drowned the singers' words.

Like most multimedia events. La Belle et la bête falls between two stools. As a straight opera, there is probably not enough interest in its vocal writing. Whether there is any future in opera/film as a medium beyond this one-off exercise is another question again.

Richard Fairman



# **BERLIN**

**CONCERTS** The Tailis Scholars give a concert of music by Palestrina and Lasso tomorrow in Berlin Cathedral (854 2040). On Wed in the Philhermonie. Monica Huggett directs Hausmusik London in works by Weber, Spohr and Mendelssohn (854 2040). On Thurs at Gendarmenmarkt, Katia Ricciaretti is soloist in an open-air opera concert conducted by Jacques Delacôte (514 2741). Melvyn Tan gives a pianoforte recital on Sat late afternoon at the Staatsoper (854 2040). The Hanover Band plays Bach at the Philharmonie on Sat evening (854 2040). Ulf Hoelscher is violin soloist with Sinfonia Varsoviaon Sun at the Philharmonie, with music by Bach, Mendelssohn and E.T.A. Hoffmann

(854 2040) **OPERA/DANCE** Staatsoper unter den Linden Rudolf Nureyev's production of Gizzunov's ballet Raymonda opens tonight in a new staging by Eugene Polyakov (repeated July 6, 8, 11.

13). Tomorrow: Arladne auf Naxos with Margaret Price and Reiner Goldberg. Thurs and Sat: Il barbiere di Siviglia with Jennifer Larmore and Dmitri Hvorostovsky. Sun: Salome (200 4762/2035 4494) Deutsche Oper Tonight and tomorrow: La boheme. Thurs: Bertok and Schoenberg double-bill with Karan Armstrong and Doris Soffel. Fri: Peter Schaufuss' production of Sleeping Beauty. Sat: Nutcracker. Sun: Meistersinger with Wolfgang Brendel and Eva Johansson, End of season (341 0249)

# DRESDEN

Semperoper Tonight: Daniel Nazareth conducts Middle German Radio Symphony Orchestra in Mahler's Rückert Lieder (Christa Ludwig) and Bruckner's Seventh Symphony. Wed: Ute Lemper cabaret evening. Thurs: Christa Ludwig song recital. Sat: Daniel Nazareth conducts Carmina Burana. Next Tues: Grigori Sokolov piano recital (0351-484 2323)

# **■ FRANKFURT**

■ The Frankfurt Ballet performs choreographies by Saburo Teshigawara and William Forsythe tonight, Wed and Thurs at the Opera House (069-236061) New York Harlem Theatre opens ■ season of Gershwin's opera Porgy and Bess at the Opera House ma Sat, continuing daily

except Tues till July 29 (069-236061) English Theater Frankfurt has Bill Manhoff's comedy The Owl and the Pussycat daily

except Mon till July 16 (069-2423 1620)

# **■ GENEVA**

The city of Geneva organises series of concerts throughout the summer, some of them free open-air events. The international music series begins on Wed at Théâtre with the French Dideland group Les Haricots Rouges, followed on Fri by Styl 60, with further concerts till Aug 24. The jazz series runs every Mon till Aug 15 at Cour de l'Hôtel de Ville, beginning next week with the French duo Martial Solal and Didier Lockwood. The classical music series, also at Cour de l'Hôtel de Ville, opens on Thurs with a madrigal programme. Chamber Opera presents Grétry's Zémire et Azore on July 12, 13, III and 16 (022-786 5545/022-312

# HAMBURG

 Maximilian Schell stars as Professor Higgins in My Fair Lady, opening at the Deutsches Schauspielhaus on Fri (previews from tomorrow) and running daily except Mon till Aug 7 (040-248713) Justus Frantz conducts Sinfonia Varsovia in works by Beethoven on Thurs at the Musikhalle (040-346920) Johnny Cash sings at Freilichtbühne Stadtpark on Sat afternoon.

### ■ NEW YORK THEATRE

Three Tall Women: a moving, poetic play by Edward Albee,

dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Martan Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 62001

 Angels in America: Tony Kushner's two-part epic conjures a vision of the US at the edge of Part one is Millennium Approaches, part two Perestroika played on separate evenings (Walter Кепт. IIII West 48th St, 239 6200) Four Dogs and a Bone: John Patrick Shanley's satiric comedy about movie-making and power plays in Hollywood (Lucille Lortel, 121 Christopher St, 924

 Laughter on the 23rd Floor. Neil Simon's 27th Broadway play, about a group of writers trying to come up with mew show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

The Sisters Rosenswelg: Wendy Wasserstein's most successful play to date. comedy with serious undertones about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West

44th St, 239 6200) Crazy for You: the musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of this glitzy

choreography (Shubert, 225 West 44th St, 239 6200) DANCE/MUSIC Avery Fisher Hall The Lincoln Mostly Market Flate opens tomorrow with a programme featuring barttone Thomas Hampson Mozart arias and Shura Cherkassky playing Chopin. The festival runs daily except Sun till Aug 20 (875 5030)

Metropolitan Opera The Royal Ballet opens a two-week season on Wed with Anthony Demand production of The Sleeping Beauty. The season also features MacMillan's Maverling a a bill including Ashton's A Month In The Country. This is the Royal Ballet's first visit to New York since 1991 (362 6000)

### PARIS DANCE

San Francisco Ballet is in residence this week with two mixed bills, including choreographies by Balanchine, Mark Morris, Helgi Tambian and Agnes III III (4742

 Page Opera Ballet presents the Nureyev production M La Bayadère the Bastille tomorrow, Thurs, Sun and next Wed, Fri and Sun (4473 1300) **OPERA** 

 Carmen runs at Mastille till July 📰 🚟 changing 🚟 

the title role, Sergey Larin/Alberto Cupido/Daniel Galvez-Vallejo as Don José and Alain Wall Quilico/Harry Peeters as Escamillo. Jose-Luis Gomez's staging is conducted by Serge Baudo/Cyril Dieden II. This week's performances are tonight, Wed and Fri (4473 1300) Roberto Alagna and Nuccia Focile head the cast in Images 's Roméo et Juliette at the Opéra Comique, conducted by Michel Plasson and staged by Nicolas Joel. Final performances are tornorrow, Thurs and Sat (4286 8883)

# ■ VIENNA

 The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for Vienna Kammeroper's productions. Le nozze di Figaro opens tonight and runs dally except Wed and Sun till July 30. Il-Giovanni follows from August 🛮 🕕 27 (513 0851) Klangbogen, Warmer

concert series, runs till the and of August at various venues throughout the city. This week's programme includes Mozart arias and orchestral works on Thurs at the Rathaus Arkadenhof, and a concert by the Estonian Chamber Chorus on Fri at the Augustinerkirche. Kathleen Battle gives a song recital at the Konzerthaus on July 12 (4000 8410)

• jazz men runs daily till July 15, and features Tony Bennett tomorrow, Natalie Cole on Wed, B.B. King on Thurs and Stephane Grappelli on Sun. events take place at the Staatsoper (4000 8410)

ARTS GUIDE Monday: Performing In Land guide by by city.
Tuesday: Performing guide by by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Busi-ness Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT

TUESDAY Euronews: FT 0745, 1315, 1545, 1815,

WEDNESDAY NBC/Super Channel: FT

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230,

NBC/Super Channel: FT Reports 2230 Sky FT Reports 0430,

# The impossibility of 7 being president

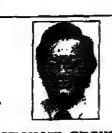
mit in Naples the world's press, once again, likely to be impressed by President Bill Clinton's youth, intelligence, warmth and persuasive rhetoric. Set against his elderly and explanations of Second of S and cautious Group of Seven peers, he cuts a rather impressive figure. Being an American he at least possesses a modicum of optimism: unlike his world-weary colleagues 🖿 problems - such as high global

unemployment – are soluble.

Yellow virtues and solid legislative achievements, Mr Clinton's approval ratings at home are depressingly low. The that he hoped to from economic growth been largely offset by continuing doubts about his character - doubts fuelled by the White-water affair and Paula sexual harassment charges. At the same time he is condemned as indecisive in foreign affairs ill-disciplined White House - a charge that prompted another reshuffling ek and the appointment of Mr Leon Panetta, the affable former budget director, as the new chief of staff.

While not denying that Mr Clinton has made many mistakes. I believe much of the criticism of his presidency is misplaced. The US media are like m pack of wolves: happy only when dismembering their prey. They would find grievous faults in any occupant of the Oval Office because the job of an American president is beyond the ability of any mor-tal. This is largely the consestitution designed by Virginia landowners whose main objective was to limit the powers of

central government.
The goal of minimal government was admirable; but the ensuing legislative arrangesions in an era world) expect an administration to solve countless prob-lems. In the US system, cabinet tees, have much less authority than in parliamentary regimes. All important decisions on forelan and domestic policy



**MICHAEL PROWSE AMERICA** 

thus funnelled into the White House for the attention of the chief executive. Mr Clinton is engaged in formulating policy in spheres such as macroeco-nomics, healthcare, crime and welfare at a level of detail that in Britain would be left to the relevant secretaries of state if not senior civil servants. Former President George

Bush tried to solve the "overload" problem by ignoring domestic policy. But this led ultimately to electoral defeat. Mr Clinton has set himself important goals in the domes-tic arena. He cannot afford to delegate domestic policy because nobody but the presi-dent has the clout to influence the other main power brokers in the US system, the men who run the key congressional com-mittees - such as Daniel Patrick Moynihan, the unpredictable chairman of the Senate

Such barons have limited

respect for presidents, even from parties, they not be them; Congress has to work with a president independently chosen by the American peo-ple. But for Mr Clinton's personal involvement, in the ple, Congress would send in favour of the North American Free Trade Agreement. The task could not been struct to cabinet officials such as the trade representative and treasury secretary. Healthcare reform may be stymied despite Mr Clinton's involvement; with-out a presidential push, defeat would be virtually certain. Mr Clinton thus has no choice but to try to keep on top of every aspect of policy, from Bosnia to handguns; inevitably he drops some balls.

Other facets of the Washing-

he prospect of a sec-ond Korean war has receded with the neighbour for the first time since the second world war. The talks, later this month, will indicate whether the secretive northern regime of Kim Il-Sung can be discouraged from building nuclear weap-

standing Mr Clinton is to But whatever the outcome of remember that, unlike his recent predecessors, he is comthe discussion, tensions on the Korean peninsula have raised fortable with ideas. He is the International Ruergy product of a superior liberal education – of a tradition that abhors dogmatism and stresses Agency, Us Talled Market nuclear watchdog. It was the the virtue of critical analysis from various points of view.
The result is "seminar" presirefusal of North Korea to allow the inspect its mulls the arguments and against policies

ton system conspire to under-mine him. One key to under-

slowly. Having

inquiring in incompanies in inquiring incompanies in inquiring incompanies in inquiring inquirin

Since nothing is secret in the American political system,

every step in his tortuous deci-

sion-making process is relayed to confused public home

Policy-in-forma-

tion is endlessly "analysed" in

superficial reports. Yet

militates against true

A thoughtful president quite often gets it right – think example
Supreme Court nominations –

ends up looking indecisive and muddled. The system treat is leader with a

closed mind far more kindly.

Yet this is hardly what the US wants. Would Americans, in

fact, even favour a retreat to

the Bush era: to a president

who rarely uttered a coherent

sentence and was ignorant

detail m domestic

I am not trying to imply that all of Mr Clinton's problems reflect the difficulties

of being president. In many areas of policy, his mistakes reflect an intellectual map that

is seriously outdated: like

many products of elite US col-leges Mr Clinton has an exag-gerated faith in the compe-

poor understanding of the effi-

ciency of free markets. This

"soak the rich" budget and his continuing appetite for aged trade and other interven-

tions, But since Mr Clinton is

one of the brightest US presi-

dents in memory it is safe to

predict that many of his diffi-

culties reflect the job. His suc-

cessors are not going to be pop-

understanding.

The Nuclear Control Institute, a respected Washington-based lobby group, attacked the agency last week for failing in its job of "blowing the whistie" on the spread of the weapons. It is at the US strategy on North Korea, agree privately that the agency has not been as aggressive as it could have been".

The IAEA, a mouthful of vowels pronounced easily by nobody in a UN country, was born in 1957 as part of US President Dwight Eisenhower's "abons for peace" plan. In line with prevailing optimism than its potential of an appropriate the prevailing optimism than the potential of an appropriate than the potential of an appropriate the property of the present the p nuclear power, it was given the job of helping UN countries acquire nuclear skills, particularly safety techniques and medical treatments.

it was also given a second separate role: "safeguarding" or supervising civil nuclear reactors to ensure that their contents were not diverted to bombs. Although the cold war had dented hopes that the superpowers would scale down their nuclear arsenals, it still seemed probable that nuclear weapons' capability could be restricted to a tiny handful of

nuclear Non-Proliferation Treaty by 164 countries has put weight on that second role: signatories weapons were obliged to submit to regular IAEA accuting of their civil nuclear programmes. Although inspections now take up only a third of the agency's annual \$200m budget, the agency's role as watchdog wins it a disproportionate share of headlines. The treaty's renegotiation year will put its record under

Criticism W Hat many

# Soft bark and a weak bite

Bronwen Maddox asks whether the UN's nuclear watchdog has the teeth to do its job



begins with a single word: Iraq. In the decade before the 1990 Guif War, the agency failed to detect Saddam Hussein's \$3bu clandestine weapons programme, saying that Iraq com-plied fully with the treaty. The episode is by common agreement the agency's most embar-ressing hour. Mr David Kyd, spokesman at the agency's Vienna headquarters, acknowl-edges that "traq was a shock

After the war, it became clear that Iraq had imported sensitive western technology for a decade, and employed 10,000 engineers in attempting to make nuclear explosives in a dozen desert factories. Those included the site of Iraq's two ularly visited by the IAEA.

To the agency's critics, the crisis over North Korea's nuclear intentions and capability suggests that the lessons of Iraq have not been assimilated. In particular, they feel the alarm. "The place runs like the post office," says Mr Paul Leventhal, president of the Nuclear Control Institute.

Mr David Kay, the former IARA inspector in charge of the agency's post-war inquiry into Irag, who now advises the US nuclear industry, also sees the agency's endeavours in North Korea as technically inept. Its video cameras "are atially consumer technology", he says. He believes tension in the North Korean capital Pyongyang was heightened unnecessarily because agency inspectors entered and exited nuclear sites repeatedly to replenish batteries and tape, although "there are camera available which they could have used to beam straight

back to Vienna' In response to these attacks the IARA says that people freof its action. "There is a public perception that we were supercops [in Iraq], but we were super-accountants," according to Mr Kyd. The agency carried out its task of monitoring the fuel inside fraq's reactors, he argues, but it had not looked for a weapons programme separate from these civil reactors, because this is an expensive

The agency adds, however, that it has accepted the need for some change. "We are being encouraged by our memsays. Members now pass information on from their intelligance services; photographs last year from the US Central Intelligence Agency helped alert the agency to the North

But the agency's ability to become more intrusive is limited by its statute, Vienna officials argue. They say the frequency of inspections is set strictly in proportion to the size of a country's civil nuclear programme. This condition was set in the 1950s when the threat of Germany, Japan, Sweden and Switzerland acquiring nuclear weapons med great and, as a result, IAEA inspectors still spend two-thirds of their time on western Europe, Canada and Japan. But if we tilted that principle, developing countries would scream 'discrimination' and leave," Mr Kyd says. That fear - that countries

will resign from the IAEA and
NPT - the greatest

restraint on the agency's aggression, according to its officials. They see the agency's twin roles inextricably linked in a fragile bargain. It industrialised countries who industriansed countries who want safeguards inspection but developing countries mainly want technological assistance, and would not want to be members of something directed entirely at curbing their research programmes.

ANCIAL .

Mr Kyd says.

To those watching the watchdog, this dilemma lies at the heart of its shortcoming. "If some countries can't live with intrusive inspections, and threaten to leave the IAEA, the world should know," says Mr

Kay.

To critics, the agency's atti-tude to han over the next few years will show whether it is overcoming its weaknesses. Western intelligence experts are keeping a close eye on Iran's procurement of technology in its current bid to boost

ome of the problems, however, from political and technological changes that have arisen since it was created. The countries now embracing civil nuclear power with most enthusiasm are in the developing world and in Asia, which lie outside the agency's traditional areas of

expertise.
Fresh techniques have emerged for refining uranium and plutonium to the grade where they can be used for bombs. The disintegration of the Soviet Union has increased the possibility for clandestine trade in assembled nuclear weapons. Meanwhile, reprocessing plants such as the UK's Thorp and France's Cogema will begin to inject large quantities of plutonium into the world's stockpile as a by-prod-uct of treating left-over fuel To monitor these new

threats - trade in nuclear technology, and the production of civil plutonium - the IAEA's statute would have to be extended. Whether that is desirable, or possible, is a ques-tion which next year's debate on the NPT's future will have

But if governments choose to maintain a pact to curb profit-eration, they will need some kind of watchdog. Given the IAEA's performance in the two crises of the past three years, it. is fair to conclude that the watchdog will need to be more alert than in the past; and probably larger, if it is to succeed in raising? the

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fex 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

# the priority

From Mr D W Vermont. Sir, While agreeing with much of what Richard Lapper says in his article on reinsurnce ("Third force emerges in high-risk world", June 30), I must question his assertion of the pre-eminence of capital among criteria for the well-

Without denying in any way the value and importance of an adequate capital base, proven underwriting and sound management, as exemplified in consistent results and an ability to survive, give better indications The fragmentation of risk,

which is both the method and the small, the medium and the large to co-exist. The slaughter of the inno-

cents and the not so innocent owes more to the apparent inadequacies of mana han of capital. D N Vermont, London representative

Lovat Lan London ECSR 8DT

### Waving the tlag, surely?

Mebster. Sir, I read with interest and enjoyment the article, "Celebrating rites of passage" (June 25), by Jurek Martin on the recent graduation ceremonies

at Harvard. I also had a daughter gradua ting from Harvard. My eyes are certainly older than those of Mr Martin, but it was surely not dollar bills being waved by graduates of Harvard Business School, including my daughter. but small flags representing the many nationalities of the school's students.

They were waving them cheerily but not, I think, greedily, although one of the school newspapers circulated at the ceremonies reported that many of the graduates expect salaries (including bonuses) 🐙 \$100,000 in their first year after

David Webster, communications co-ordinator, Diocese of Rochester, 5 Rosehill Walk,

# Capital not | Russian opposition | Own goal to Latvian stance

From Mr Boris Punkin Sir, The article "Held up on the Western line" (June 23) rightly said that the law on citizenship passed by the Lat-vian parliament on June 21 does not accord with internationally accepted norms since

it imposed draconian quotas on

non-Latvian permanent resi-Moreover, according to the assessments by western legis-lators, this discriminatory law contradicts the Universal Decaration on Human Rights, the International Pact on Civil and

Political Rights and the Convention on Reduction of State-By trying to legitimise the deprivation of civil, political, socio-economic and cultural

rights of hundreds if thousands of people, Latvian parliamentarians openly ignored tha authoritative views of the Con-Co-operation in Europe and the Council M Europe experts who strongly recommended that the be amended so as to expedite the smooth integration of large Russian-speaking minority in Latvian society. Even the government of Lat-via itself appealed to President

Ulmanis | this No the Laivian presipiece a controversial and said in a TV interview that the law undermined Latvian prestige in democratic Europe, deprived permanent residents of citizen-ship and complicated relations with Latvia's neighbours.

Or maybe it was just probing by the parliament to test the vigilance of the international community? And later, the same law, with decorative emendments, will be passed again? Let us hope that this time the Latvian legislators will take into account the concerns expressed from all quar-ters. I think that world public opinion would welcome a deci-sion to delete notorious quotas and change the discriminatory

essence of the law. This is all the more lamentable since Russia is prepared to develop good, neighbourly relations with Latvia. On June 19 the Englan government to submit a package 📰 agreements, signed recently with Latvia including that on a troop withdrawal by August 31 this year, to President Trisin for approval and subsequent ratification by parliament. Pankin

Assessed of the Number 13 Kensington Palace Gardens, dent ordered parliament to London W8 4QX

From Mr Donald McFarlan. Sir, Can someone take the generally sagacious Michael: Thompson-Noel to one side and ... quietly point out to him that a light year is a measure of dis 🐰 🔒 torsee and not of time ("An. inter-galactic goal", June 25/ 🚉

I feel sure that the admirable Miss Lee could have set himstraight on this point. Donald McFarlan, 3 The Tithe Barn, Merton, ur Bicester Orne OXE ONE (Lat 51 degrees 51 minutes seconds N, Long I degree 7 minutes 10 sec

# View fell flat

From Ms Janet Jones.
Sir, The interesting article by Colin Amery about the Pugin Exhibition (Architection on included some ture, June 20) included some debatable interpretation. Observations ranging from

the alleged dependence of Wil-lism Morris to allegedly ill-in-formed modern designers may not be supported by fact. Also, your correspondent's: comments about flat designs and flat pack furniture might suggest sympathy with the flat Janet Jones.

Partners - Interiors, London NI 2NO

# Productivity the key measure for R&D value

From Mr Richard Barry. Sir, Following the Department of Trade and Industry's recent ranking of countries by

R&D expenditure (Technology: "R&D Scoreboard", June 17), cries for increased R&D expenditure by the UK have reached a crescendo. So two cheers for your editorial of June 20, "Costly Research". You did leave it to the final sentence, but at least you pointed out that what is really important is R&D output, not R&D input spending. Too few commentstors stress the importance of R&O productivity.

results of oil industry R&D clearly illustrate the huge differences in productivity achieved by competing

Although an aberration in the OECD Frascati guidelines

R&D is not actually counted as R&D, it is possible to correct for this and to look at the true

Like their colleagues in the pharmaceutical industry, oil company scientists and engineers spend about 10 per cent of sales on research for new products - in this case, new oil and gas fields. A Salomon Brothers report, "Proved Petroleum Reserves of 30 Large Energy Companies", allows a calculation that, in the eightyear period 1983-90, research teams in the best performing quartile achieved an average productivity of 0.45 barrels dollar spent. poorest performing quartile

achieved only 0.10 There is no reason to think such spreads are special to oil researchers. Therefore, if Uni research productivity is in the top quartile, calls to cut dividends and spend more on R&D may indeed make good sense. But if our R&D productivity is: low, then it is likely to be far more cost-effective to maintain. (or even reduce) our spending. level while concentrating on management. It is R&D productivity information, therefore, that the DTI should collect, control for quality and then

On the other hand, if top ments do not know the relative standing of their own R&D productivity performance then I'm afraid we should fear the worst. Richard Barry, research fellow,

Department of Engineering. Simon Building, University of Manchester, Manufacture MIM 9PL





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Monday July 4 1994

# Swedish bond boycott

The sharp rise in European bond yields this year partly reflects investors' nervousness about deteriorating public finances around the industrialised world. In few countries does such concern look more justified than Sweden. The three-year-old centre-right coalition of Mr Carl Bildt has presided over an explosive build-up of public debt. According to the Organisation for Economic Co-operation and Development, gross general government debt will rise to 93 per cent of gross domestic product this year against only 44 per cent in 1990.

The public deficit, which reached 13 per cent of GDP last year, is now falling slowly as the economy starts to grow after three years of contraction. The most worrying feature is the rise in the structural deficit. According to the OECD, this is only about three percentage points below the actual deficit, partly reflecting large government. erument outlays on the crisis-hit banking industry. The Bildt government has been woefully unsuccessful in reducing government spending, estimated this year at 67 per cent of GDP, against 59 per cent in 1990. Whichever govern-ment emerges from the September general election will need to make

expenditure cuts a priority. Against this sobering back-ground, Friday's statement by Mr Björn Wolrath, chief executive of the Skandia insurance group, that it is stopping purchases of govern-ment bonds looks understandable, vet curious: understandable, because Mr Wolrath appears to be alarmed by the prospect that the

opposition Social Democrats, if victorious in September, could prove even less adept than Mr Bildt in curbing the deficit; curious, because Mr Wolrath must have known his comments would trigger a sharp fall in Swedish bond prices and the krona. The Skandia group, which holds an estimated 4 per cent of Swedish state debt, has thus suffered a large capital loss on its domestic bond portfolio.

Mr Bildt reacted by pointing to the continuing need for deficit cuts and implied that the Social Democrats were not up to the task. This may seem an inade-quate response, but the Bildt government has already unveiled plans to prune spending by the equivalent of 10 per cent of GDP over the next five years.

The debt imbroglio highlights a Swedish paradox. I plans to join the European Union are predicated on its becoming a "core" country capable of taking part in economic and monetary union. However, Mr Bildt's measures to improve the functioning of the economy have left the country far away from the Maastricht convergence targets. Over the longer term, Mr Wolrath's broadside should strengthen politicians' will to implement budget cuts. In the short term, however, the Skandia statement will make Swedish bonds difficult to sell, unless real interest rates rise further and the krona falls. Yet these would merely be palliatives. Sweden's integration into Europe demands

# Rail dispute

The dispute between Railtrack and the RMT rail union has been characterised by bafflingly complex arguments over pay and, at times, almost farcical misunderstandings between the two sides. But this is not an amusing trip down industrial memory lane. It is a deeply damaging conflict for rail privatisation and for the standing of Railtrack and must be resolved before it escalates.

Managerial foot-dragging and the unfortunate timing of last year's 1.5 per cent public sector pay limit caused legitimate grisvances over signalling staff pay to fester for too long. That does not RMT's hasty use of the weapon, especially when Railtrack had made clear its basic case. The relative ease with which the strike has been bypersed by commuters and freight users ought to be a reminder that regardless of the ownership sation. regime - railway staff are in a fight for their jobs against other modes of transport. If the RMT executive were to decide at its meeting today to escalate the dispute (though there are some welcome indications that the union's negotiators may resist any serious escalation of the conflict), the company and the government would have no choice but to challenge the union's monopoly power on the railways and try to keep the trains running without its

members. It should never have come to this. The rather technical differmodernising the pay structure could easily have been fudged, without conceding any important principle. The fact that the differences have instead been exacer bated suggests either that Railtrack has been looking for a fight or that a culture clash between are has led to crossed wires inside the organisation.

The government does not seem to have helped. Hitherto its public sector pay bill freeze has been interpreted with appropriate flexibility and seems to be meeting remarkably little resistance. The 3 per cent increases recommended by some of the Pay Review Bodies were not baulked at by the government and it has even made sympathy with the signal staff—clear that savings on running costs can be used to boost pay bills. Railtrack should have been left to negotiate alone. That, after all, is part of the point of privati-

The pay increases amounced on Friday by Railtrack form the basis of a fair settlement. The fact that the offer as it now stands will leave one-quarter of signal staff considerably worse off should not be an obstacle. It is part of the price of a fairer pay system. But Railtrack needs to spell out in more detail how it will compensate the relief signal staff affected Alternatively, given the very high turnover of relief staff it could announce that the new terms apply only to new recruits and those on existing rates can keep them until they give up the

# Arafat in Gaza

Another important, if still largely symbolic, stage has been passed in the Middle East peace process. Mr Yassir Arafat, having signed an outline peace agreement with israel and won recognition for the Palestine Liberation Organisation, has now returned to territory freed from occupation. With the toughest part of the negotiations yet to come, it is vital for Mr Arafat and the Palestinians to build quickly on what has been achieved. This means buckling down to the detailed work of creating a viable administration.

Miracles are not expected. The heavily populated Gaza strip and Jericho suffer serious economic deprivation and guerrilla organisations do not breed efficient bureaucrats overnight. Mr Arafat also faces political opposition from Islamic and radical forces, thousands of Palestinians are still in Israeli jails, while more than 30 per cent of the Gaza strip remains in Israeli hands, along with virtu-

ally all the West Bank. But the achievements can already be appreciated. The level of violence in Gaza has dropped sharply and the Palestinian police force appears to have made a good start. More than \$2.4bn is available over the next five years to rehabilitate and improve the infrastructure. Some of these funds have also been necessarily committed to budget support and assisting the Palestinians establish a bureaucracy. There is too much at stake for donor governments to insist on unreasonably high standards of trans- al-Assad or King Hussein.

parency and accountability. in return, they have every right to expect Mr Arafat to behave in the democratic manner to which he is committed. Elections for an interim Palestinian self-rule authority are due to be held just as soon as has completed its withdrawal and troop redeployment in the West Bank. Mr Arafat should not be allowed to duck that

Israel also bears a heavy responsibility for the success of the present experiment. Pulling out of the West Bank carries a much weightier domestic political price than departing from Gaza, but speed and a greater flexibility in Israel's negotiating stance are essential if even the modest momentum so far achieved is to be sustained.

The Israeli government of Mr Yitzhak Rabin should be additionally buoyed by Jordan's agreement to resume direct bilateral negotiations later this month. The issues which divide the two governments are by no means minimal, but should be capable of resolution within relatively few months. The return of Mr Warren Christopher, the US secretary of state, to the region shortly also suggests there is some chance of a breakthrough in Israel's negotia-

tions with Syria. Symbolism may not be a substitute for substance, but the message behind the television pictures of Mr Arafat, back on his home territory and being cheered by thousands of Palestinians, will not have been lost on President Hafez

Wanted: dynamic leader for new international institution. The ideal candidate will possess global strate gic vision, yet be at home with technical complexity, while combining a diplomat's finesse with proven administrative skills and the instincts and forceful leadership of a

his superman – or super-Woman - is being sought to head the World Trade Organisation, due to succeed the General Agreement on Tariffs and Trade early next year. The new body will have a more formal structure, stronger disciplinary powers and, potentially, a far more wide-ranging role than its 47-year-old predecessor.

Governments and trade policy experts worldwide have expressed optimism that the WTO will develop into a pre-eminent forum for international policymaking, which will take the lead in creating a framework for the orderly management of global economic change into the next century.

It is widely agreed that the WTO's influence will depend critically on the choice of its first director-general "Whoever does this job, and does it well, will leave a mark on history," says Professor John Jack-son of Michigan University, a leading authority on international trade

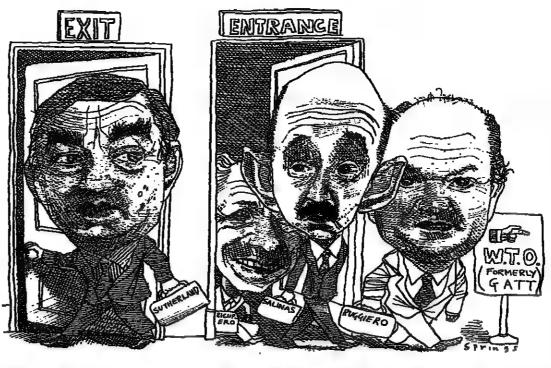
That prospect has triggered a race in which the declared candidates so far are President Carlos Salinas of Mexico; Mr Renato Ruggiero, an Italian former trade minister who has also been canvassed as a possi-ble president of the European Commission; Mr Rubens Ricupero, Brazil's finance minister and Mr Kim Chul-su, South Korea's trade minister. More names may emerge before the lists close at the end of this month.

Much as trade policy purists may wish the appointment to be decided solely on merit, political manoeu-vring is set to play a big role. The final choice, expected to be reached by informal consensus in late autumn, will be heavily influenced by the interplay of national pride, regional rivabries, economic self-interest and mutual suspicion among Gatt's members.

Already, the competing Mexican and Brazilian claims on the post have divided loyalties in Latin America. An even more bruising confrontation - or a stalemate may develop if the US bats strongly for Mr Salinas, and the European Union digs in behind Mr Ruggiero.

The decision also risks becoming entangled in wider horse-trading over other heavyweight international appointments this year. Besides the presidency of the European Commission they include the top jobs at the Organisation for Economic Co-operation and DevelopThe new World Trade Organisation leader will shape its role on the international stage, says Guy de Jonquières

# Someone to sail the trade winds



ment, the North Atlantic Treaty Organisation and the Euronean Union.

All this points to much more complicated choice than last year's appointment of Mr Peter Suther as Gatt's director-general, a post he will vacate soon for personal reasons. Mr Sutherland's candidacy swiftly gathered support because he was widely perceived as the right man to tackle the biggest challenge then facing the world trade system - completion of the protracted Uruguay Round negotiations.
The WTO head will be handed a

far less clear-cut mandate. Views on the body's role and the job's functions vary widely, reflecting the differing political interests and economic priorities of those who will have a say in filling it.

The WTO was inspired by plans in 1940s for an International Trade Organisation, intended as a for III International Monetary Fund and World When the US Congress vetoed the idea, the Gatt was set up on a "provisional" basis.

world far different from that in which the WTO will be born. While the original design was drawn up for about 50 countries, most with war-shattered economies, the new body will start with more than 120 members, ranging from super-rich to dirt poor.

Gatt has coped with this diversity by allowing countries to opt out of some of its commitments. But every WTO member will be required to sign up to almost all its obligations. Furthermore, in contrast to the IMF and World Bank, where voting power is weighted in favour of wealthy countries, each WTO member will have an equal vote.

Gatt has an impressive record of forging consensus, which has satis-fied big countries without trampling 🗰 🚟 III maes. Bill serge observers believe that will be harder in future. "Creating consensus in the WTO will be enormously difficult," says Mr William Brock, a trade policy consultant who served as President Ronald Reagan's top trade negotiator.

The organisation's cohesion will But the ITO was conceived in a be tested by segrowing array of ing ahead. Everyone else is con-

challenges, which reflect the changing focus of trade policy and shifts in the structure of the world economy. They include:

The thrust of liberalisation

efforts into largely uncharted territory, such as the treatment of forand in the land and • Present in address links between trade complex - and as minimum labour environment policy.

The impact of sudden capital

market and currency fluctuations mer which, war experts fear, could men in insulate themselves through trade barriers. The accession of about 20 further countries, led by China.

 Mounting stresses within countries, particularly in the industrialised world, as they face increasingly fierce global competition.

"All the instincts of the main industrialised countries are to seek

security and slow the pace of change," says Mr Brock. "Only the

really aggressive emerging econo-

mies will have a free hand in press-

strained by problems at home."

The head W WTO can potentially wield much influence over how problems are tackled, and over the future global policy agenda. However, the job enjoys limited formal powers and resources. The Gatt secretariat, which will inherit, has a SFr94m (£45m) budget this year and only 175 professional and a proposal w add 50 wunder discussion. By common consent, III W head will need to rely heavily - as Mr Sutherland done with great success - on his personal qualities and skills to make www impact. But is less agreement on what should be.

Some experts think a master of policy detail in required, who will establish the organisation's authority by perfecting its mechanics notably its new dispute settlement procedures - and broking behindthe-scenes deals in Geneva. Others, however, want someone with a high public profile, who will focus broader strategic issues and directly with government

Salinas personify was a these differences approach. The former has emphasised his credentials as a capable administrator with wide international experience, gained in and and and aworld economic summits. But ask him he has enough vision and him he job.

his boldness in presiding man sweeping liberalisation, which has made Mexico a model of developing country reform, However, wonder whether, we head state, his style iii too grand and authoritarian for WTO.

Regional ties are also an issue. They are aggravated by mutual suspicions between the industrialised powers which have long dominated Gatt's affairs, and the developing countries which make up most of membership and increasing of world trade

Mr Ruggiero must convince doubters that Brussels' backing will not make him a champion of narrow EU interests. Mr Salinas's origins may have wider appeal - but only if he can show clearly that he is not beholden to patronage from Washington.

Whether any candidate can meet all, or most, of the requirements on the wish-lists circulating in Geneva and world capitals looks doubtful. But with more names likely to enter the race, the pace of international wheeling and dealing is set to quicken. The final choice may call for all the negotiating skills and taifor last-minute compromise

# An agenda for full employment



political agenda.

general secretary of the Trades Union Congress 10 months ago I was able to set PERSONAL objectives helping VIEW to raise full employment in the UK to the top of the

Tomorrow we take a step towards that objective when the TUC and the Employment Policy Institute, the independent think tank, host a conference that brings together the employment spokesmen of the three main political parties with the director general of the Confedera-tion of British Industry and other key figures, including representatives of the unemployed themselves.

of the scale of the task. And I am sure all will acknowledge that full employment is unlikely to be achieved in one country alone, not least one as dependent on international trade as

But there are some things which can be done to set us in the right direction. For a start I believe there

cent to get unemployment down. We cannot create 3m jobs by as one of the organi- demand management and national action, but I 📺 believe that this recently neglected weapon of economic management can play a substantial role. The conditions are with low inflation, excess capacity and European

recovery picking up.

However, at the heart of any policy for full employment has to lie a strong international trading sector. Western successful competitive companies we shall not be able to raise living standards and deliver quality public services. In Britain, m do have some

highly competitive companies. Almost invariably they pay well, train well and have good industrial relations based on an relationship with while unions. Some, like Rover, have turned round in mark with the help of the workforce. The first task then is to learn from these commanies, to spread best practice

When I was a some more room for discretionary general secretary of the Trades Union only needs to grow above the 25 per the alth and safety which also charters but the number of people out of the number out of the number out of the number of people out of the number of people out of the number out of the number of people out of the number out of the number of people out of the number of people out of the number out of the number of people out of the number of people out of the number of the number out acterise the best companies.

But we cannot rely on the comthere are obvious in the is a serious danger of reinforcing the growing social divisions with a well rewarded group of insiders, a growing number of working poor and a large pool of unemployed.

> At the heart any full employment policy has to lie a strong international trading sector

It has been argued that one means of filling the jobs gap is for the working poor and jobless to lower their expectations and with them their wage rates. Pricing people into jobs has been tried over the past 15 years and the results are today's unacceptable divisions. In the interests of social stability we cannot afford to widen the gap between the insiders and the rest.

**OBSERVER** 

a year or more has not come down with it.

Practical measures to help such people back into work must be an ential element in a programme for full employment. The govern-ment's workstart scheme picks up a useful idea first put forward by Professor Dennis Snower to transfer the benefits of the unemployed to an employer who was prepared to take that person off the dole queue. This scheme deserves to be given a better chance than the pilots so far under way. Trade unions will sup-port such provided they are voluntary and can be shown to raise employment levels rather than subsidise jobs that would have been created anyway. Trade unions can and are playing a part in the pro-in Barnsley. In instance, the trades union council working with the local training and enter-

prise council in delivering help in the jobless.

work for ■ long period of time. As accept that it is their duty, and to their advantage, to meet the costs patitive sector alone. If we do, there months the number out of work for of bringing back into society those who currently feel excluded because they do not have work and cannotsee an opportunity to get any meaningful work. Solidarity is a traditional in

union virtue. But the case for solidarity is not just a moral one; it is also an economic one. Left to themselves small and medium-sized firms will not train; they will only poach, and that worsens the inflation/unemployment need a training levy to the fairly.

We ment co-operative arrangements not just to raise the skill of ensure that the benefits of productivity growth in the competitive sector are shared among the unem-ployed and the increasing numbers low-paid people in precarious

John Monks

# Bottoms up for Greece

You'd think Greece would have had enough of presidencies after recent events at Corfu. Not a bit of it. Now it's taken the helm of

Black Sea Economic Co-operation. Set up by Turkey in 1992, B-SEC (as it's pronounced) has the tricky job of welding together 11 member ites, some of which have severe bilateral disputes, not least war. Never mind. The members -

including Armenia, Azerbaijan, Russia and Turkey – are now establishing a Black Sea trade and development bank. Wasn't the European Bank for Reconstruction and Development set up for a similar purpose? Apparently even the EBRD's intended clients have overlooked existence.

Previous B-SEC president was Alexandre Chikvaidze, Georgia's foreign minister and a tough act to follow, at least in the joke department

Chikvaidze says he merits space in the Guinness Book of Records - as the only Georgian minister in living memory who relinquished a political post while sober and healthy.

Spot the director Early days yet, but stock market players might want to consider Observer's selection

toy. It's called a Paddy Linaker, after the boss of the M&G fund management giant, who steps down at the end of the month. It works on the principle that

Linaker is dead set against companies cutting their dividends and would not join the board of a company which he thought might do so. Thus Linaker's joining a board implies it is most unlikely to cut the dividend. So far he has joined the boards

of the TSB and Fisons. Admittedly, Fisons shares should have risen on the announcement of Linaker's appointment - not fallen. Maybe that just shows the stock market has got it wrong again. Any more of this contrarian

thinking and we'll all be in the soup.

Where's the beef? With the dollar plunging daily against the seemingly impregnable yen, a leading Tokyo hotel - the Akasaka Prince - has a dish to help dollar-denominated travellers look after both appetite and wallet. It is called, rather unenticingly:

"\$10 beef bowl with cup soup". More temptingly, it's also "calculated on today's rate of exchange" Last week the dish cost Y958, before tax and service. The week before the price was Y1,020. Sure, Y62 gets you little more than a used matchstick in today's Japan; but even a toothpick has its place – with, say,

How many performance stars have you got?"

the beef bowl soup.

BANX

# Wind of change

■ Something peculiar is happening to South Africa's currency, the rand, mid-air over the Atlantic Ocean. It suddenly devalues from the rate offered by banks - R5.6 to £1 - to R12 to £1. Or at least, it does if you fly with British Airways.

BA cabin staff on the London-Johannesburg flight have been told that, with effect from July 1, the airline's duty free prices are calculated at R12 to £1. Thus a passenger on Saturday's flight

to London found his R130 were worth only £10.86. A sympathetic purser encouraged him to complain: "We don't understand either". Well, someone has to foot BA's recent legal bills.

# Mercury rising

■ The heat is on the Press Association. PA has informed its that because no-one in Britain understands the Celsius measurement of temperature, it's reverting to Fahrenheit.

What about returning to other basics, such as bringing back long-loved British coins like the farthing, the sixpenny piece and the florin? Any chance of the half-crown making a comeback? Come to think of it, Prince Charles has been doing just that

# **Junkie** food

■ Some thoughts from Paul Preston, holder of a degree in Hamburgerology, chairman of the Employers' Forum on Disability, and chief executive of the UK arm of McDonald's, which is currently spending an estimated £1m on suing for libel two unemployed

people in London's High Court. Independent, April 30: "Think of the first Caribbean holiday you ever had. The second one was not so exciting, was it? And the third one even less so. Everything has

to be re-packaged and re-marketed." Sunday Telegraph, January ■ 1994: "We cannot afford unhappy people because we have to have them coming back time after time. Independent, July 16 1991: isn't a job. It's a life." Financial Times, June 28 1985: "Sometimes I think if you cut a McDonald's employee, he would bleed ketchup."
Make mine a Burger King . . .

# Swizz Cottage

■ London Underground's Customer Charter works, but madly. A colleague has received from the Tube two letters, delivered simultaneously, in response to a claim for a delayed journey in February. One letter apologised but said as the delay was caused by a possible bomb at Cannon Street station, there would be no refund, as security alerts are beyond the Tube's control. The second, signed by the same person. regretted the same delayed journey and contained a voucher for £1.30.

# Dumb-struck

This one can hardly be pinned on Mossad. Yassir Arafat was yesterday rendered silent while visiting Gaza, his voice gone after two days of non-stop speechifying. Some Israeli politicians must be regretting they didn't let him home



# FINANCIAL TIMES

Monday July 4 1994



# EU to compile record of how ministers vote

By David Gardner in Brussels

The Council of Ministers, where European Union member states decide laws in secret, is to compile for the first time a central, public record of how ministers

The policy change is expected to be announced this week in a written response to a Financial Times request for a record on qualified majority voting (QMV) by ministers going back to 1989. According to EU diplomats, the council letter will contain a final refusal of the request for voting records. But it will state that from now on, there will be a formal and open register of how ministers line up to legislate on behalf of 340m EU citizens.

The refusal to disclose the voting record on more than 300 laws ed in 1989-93 was the result of resistance by a German-led coalition of nine member states opposed by the Netherlands and Denmark. The UK in the end brokered a compromise.

The council's general secretar-iat in May turned down the FT's initial request for information.

claiming it "does not compile voting records". A second request forced an appeal, obliging the council under the new rules to reply before July 6.

Member states, meeting under the council's general affairs group on June 17, withdrew a second rejection of the request when the Netherlands and Denmark vetoed it and the UK

The draft rejection letter asserted that "the council is not in possession of any such statisrecorded, but in the minutes of ministerial meetings, which the council refuses to rele

At further meetings of the general affairs group on June 28, and of the 12's ambassadors to the EU on June 30, the Dutch and Danes called for a full debate at ministerial level.
But "there was nothing

approaching a serious 'yes'," one EU diplomat says, as the German-led majority, flanked by lawyers, stood fast. The council's legal defence appears to be that there is no

single document recording QMV

future. The UK was under pressure from two questions to the ent on QMV in the Commons. The first was answered by Mr David Heathcoat-Amory, Foreign Office minister, on June 27, saying "the UK is arguing that the response to the Financial Times should be helpful as possible." A

still to be answered. Participants' accounts of the three council meetings since June 17 on the issue make clear that the main underlying fear about going into the past record on QMV is that ministers could risk being accused of misleading the public and/or their national

The council reply to the FT now being prepared will make clear that "the council often takes decisions without a formal vote where it is clear that the required majority exists". The new policy should bring

with it some changes in the habits of the secretive council. As one EU diplomat points out, "the way people vote often depends on whether they know it's going to

# Pay package clears path for German postal sell-off

By Michael Lindemann in Bonn

The final hurdle blocking the sale of the German postal and telecommunications service, the country's largest privatisation yet, was cleared at the weekend when management and unions agreed a pay and benefits pack-

After four weeks of acrimonious negotiations, the agreement allows for the final passage of legislation approving the privati-sation of the postal and telecommunications service at the beginning of next year. It also marks an end to a string of nationwide postal strikes which delayed an estimated 70m letters and pack-

The opposition Social Democratic party (SPD) had said it would use its majority in the Bundesrat, or upper house, to overturn me recent vote to the constitution and approve the and unions came to an agree-

Arafat

Continued from Page 1

ment slogans. "Rabin is a Trai-

tor! Don't give away the land of Israel to a Hitler," shouted one teenager, accusing police of being

The demonstrations, however, appeared to be fizzling out. Several cabinet ministers said yesterday that Mr Arafat's visit had

furthered the peace process and

ment. The package agreed early on Saturday guarantees the present wage brackets until mid-1996 and also makes provisions that will bring the status of employees in eastern Germany in line with standards in western Germany. a negotiating team representing the three companies said it had gone to the "limits of what

vatisation timetable The state-owned service which employs 670,000 people, will now be turned into three companies on January 1, 100: Deutsche Telekom, Postdienst (the parallel service) and Postbank, the bank-

pressure grew to keep to the pri-

ing arm. The postal sale is the centrepiece of a privatisation drive by Chancellor Helmut Kohl Christian Democrat-led government which recently agreed to reduce its 51 per cant stake in Luftmay the railway company,

Continued from Page 1

to be explored are London's expensive image and worries over the effects on busi-ness of the government's atti-

The strategy will include an action plan for improving the

attractions of the Square Mile as

图

Bahn, which turned into a state-owned company at the beginning of the

However, the German Postal (DPG), a determined opponent of privatisation since it was first proposed in had demanded that management all employee benefits following privatisation. These include around 100,000 subsidised partments, money towards new shoes for postmen who wear out their soles on postal rounds and the right to a cold drink in temperatures hotter than 26 degrees

Many of these benefits are up for renegotiation in mid-1996 but there are fears that a series of other agreements between the government and the SPD may make it liminit for Deutsche Telekom, the first of the limit companies which will be fully privatised, to match the perfor-

setting up an office to attract

City seeks economic plan

business from the former Soviet bloc countries. The Central and tern European Trade Centre and translators for co and trade missions. Both moves reflect the grow-ing leadership role being adopted by the corporation in

# **Private** sector offered

planning to give the private sectors of North and South America an unprecedented role in structing the policies governing the economic integration of the two continents.

Senior administration officials are currently criss-crossing South America meeting government ministers to draw up the sum-

Mr Ron Brown, US commerce secretary, who returned at the weekend from a trip to Brazil, Argentina and Chile, said he had asked ministers to request participation from their business sectors. He plans to write to the governments of the other countries involved in the summit to

March this year announced plans for the first summit of democratically elected leaders in the Americas, he promised labour and non-governmental organisations would have a role in planning the agenda.

A successful summit, laying out long-term plans for closer integration of the American economies as a means of shoring-up democracies, could provide some rebuttal to the administration's detractors. Mr Clinton has been widely criticised for the the absence of a broad vision in post-

Mr Brown, speaking on his flight back to Washington, said the Mami would be fol-

While in Chile, Mr Brown reit-

American Free Trade Agreement with the US.

US and Chileon officials have been studying each other's trade regimes in preparation for talks which must wait until Congress has given the administration new fast track" trade authority. This was requested by the White House along with the implementing legislation for the Uruguay world trade round.

# role by Clinton By Nancy Dunne in Washington

The Clinton administration is

This will begin with the presen tation at the Miami Summit of the Americas in action plan for liberalisting trade and harmonising business regula-tions. The plan will be based on a white paper which the adminis-tration has requested from US business organisations and their Latin American counterparts.

mit's agenda

request similar input.
When President Bill Clinton in

cold war foreign policy.

lowed next spring by hemi-trade and commerce forum hosted by him and Mr Mickey Kantor, the US trade representative. This would be the start of an annual proce reviewing the action plan and adopting new measures to ensure economic growth and

while in Chile, Mr Brown respected US commitment to work on a free trade pact with Sentiago. Canada and Merico still had to be consulted on whether it was to be a bilateral pact or an enlargement their North American Free Trade Agreement with the US.

the Building Societies Act due to be unveiled this week seem set to give societies more flexibility to raise wholesale funds in the money market. It is less likely — especially while the Lloyds bid for Cheltenham & Gloucester remains subject to possible appeal - to propose much by way of reform of the industry's traditional mutual structure. That is a pity because deregulation of funding will only accentuate the anomaly of present arrangements.

Supporters of mutuality argue that it offers choice and works effectively. Yet it also creates many problems. Why should a small depositor gain immediate title to a share in reserves built up over many years? Since such title exists, why should members have difficulty realising its value? The mutual structure makes even friendly takeovers by outsiders exceedingly difficult, so there is no market for corporate control and limited accountability

Above all, the mutual structure should not be impregnable. The real problem is finding a way of achieving this without risking destabilising flows of savings. One solution might be to weight voting rights according to duration of membership. That would reflect the appropriate share of indi-vidual building society members in accumulated reserves. Predators would have to pay most to members t-term interest in the society. If they have stayed around out of satisfaction with their society's service, they might also be those least inclined to take the money and run.

### CBS/OVC

CBS, the leading US broadcaster, could clearly do with a bit of sizzle. And Mr Barry Diller, chairman of cable television shopping channel QVC, could probably provide that. So the idea of putting the two groups together has appeal. But the question rival media groups and their investment bankers will have probably spent much of the weekend asking is whether there is anything unique in

Mr Diller's wizardry.
The answer is probably no. What CBS lacks is experience in marketing its programmes and powerful brand name outside its traditional broadcasting market. While QVC has those skills, so do other cable TV and entertainment groups such as Walt Disney and Mr Ted Turner's Turner Broadcasting System. Their philosophy, like

# Mutual disadvantage

THE LEX COLUMN

and sell them in as many different formats, packages and geographical markets as possible. A battle for CBS on the lines of the

\$10hm battle for Paramount, which Mr Diller lost, is therefore a distinct possibility. Much will depend on legal and regulatory issues. Would CBS be required to consider a rival bidder since the deal has been structured as a merger not a takeover? How easy would it be for rival bidders to get regulatory clearance given the complex restrictions on cross-media ownership? CBS is such a prize that it seems hard to believe such barriers will prove insuperable. Moreover, if rival bidders are prepared to pay handsomely, Mr Laurence Tisch, the 71-year-old CBS chairman, who also owns 20 per cent of its stock, may not even want to deter them.

### Electricity

After a 7 per cent rise last week, the regional electricity companies have regained all the ground lost relative to the equity market earlier in the year. The reasons for this sudden change of sentiment are hard to pinpoint; full year results and dividends at the top end of expectations, combined with thin trading activity, are the most likely explanations. But there is no new reason for optimism about the forthcoming regulatory review of elec-tricity distribution. One off price cuts averaging perhaps 20 per cent and annual reductions of 3 to 4 per cent below the rate of inflation still look likely. In April this prospect was enough to send the sector into a spin. True, the latest set of strong results has allowed dividend cover to be increased by rather more than expec-ted. If the same can be achieved this

have more freedom for manoeuvre on dividends once the tougher regulator; regime starts to bite. The companies also used the results season to foster optimism about their ability to deliver cost savings. Shareholders will feel the benefit if efficiencies beyond those demanded by the regulator can be delivered.

Even taking these factors together i is difficult to argue that the outlook for dividend growth has been transsector are separated by studes of opti-mism about whether the electricity companies can build enough dividend cover and cut costs fast enough to offset the coming regulatory squeeze.
The pendulum of opinion could just as easily swing back the other way.

If the stock market is any guide Britain's shopkeepers have shrugged off tax rises and are expecting con sumers to carry on spending with abandon. Since February, the stores sector has been among the market's most resilient. That may partly reflect negative reasoning investors have viewed stores as a safe haven as storms have raged in other markets. Marks and Spencer, Boots and GUS which account for 60 per cent of sector capitalisation, are dependable stocks with cast-iron balance sheets, high quality earnings and marginal over

But the other great appeal of shope is they are seen as a good hedge against inflation. That was undoubtedly true in the 1970s but it might not prove to be the case today. In mature competitive industries, modest infla tion is hard to pass on to customers as the grocery industry has already shown. Retailers' earnings will be squeezed by other pressures; too Many groups have announced big investment plans, threatening to add capacity in excess of sales volume growth. Landlords will also become less generous with rent discounts while foreign entrants to the market are turning up the competitive heat.

The stores sector undoubtedly has great potential for generating supplies cash. That raises the possibility of the idend increases or special pay-out But the sector would have to raise collective yield substantially to meth the market average. It is also some what quirky for retailers to stand or both earnings and dividend premium



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# **Europe today**

The high temperatures will continue for much of Europe. Parts of Germany and Lexembourg will be exceptionally wants with readings locally above 35C. These moist and tropical conditions will bring several thunder storms to France and Belgium, and later over the Low countries. The coastal areas of these countries will also have set breezes, low cloud and some patchy mist. Cooler air from the Atlantic will arrive over the British Isles bringing cloud with some outbreaks of rain especially in the north. Northern Europe will have suriny, dry and warm conditions.

The Mediterranean region will have hot and mostly sunny conditions with only a few

# Five-day forecast

Western Europe will remain sunny and mostly dry. Dry and stable conditions will persist in Scandinavia where temperatures in the south will rise above 25C. Eastern Europe and the Belken states will remain hot with temperatures between 30C and 35C. Thunder storms will develop over Greece, perticulary in the afternoon and



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WORD PROCESSORS PRINTERS COMPUTERS

# **MARKETS**

GERARD BAKER GLOBAL INVESTOR

Tokyo had everything last week. And despite all that the yen finally reached parity with the US cent. The markets paid little heed to the country's increasingly surreal political developments, but the yen was another matter. Page 20



The US is determined to get protection a labour and incorporated into world trade law. Martin Wolf argues that this demand lacks justification, will not be honestly enforced and would not help the poor if it were to be.

Although it has not been hit as hard as other countries, Japan's government bond market has not been spared during this year's worldwide tumble in bond prices. Signs of economic recovery, mency volatility, in heavy supply of new bonds political uncertainty have combined to push bond yields up by about 1.5 points since January to a high of 4.6 per cent last week. Page 22

London: The stock market is looking forward to this morning - effectively the start of the third quarter of 1994 - with more optimism than seemed possible only a week ago,

taly: July marks the beginning of the summer holidays for many Italian companies. But this year it also marks the end — or nearly the end — of a frenetic four or five weeks of globe-trotting presentations by Italian executives, trying to sell their new issues of shares to international investors.

**EMERGING MARKETS:** 

Hungarians, Budapest's brokers among them, call the summer the cucumber season, when nothing much happens. But Hungary's securities houses are far from vegetating. Page 21

Foreign exchange markets look set for a bumpy ride week as traders watch anxiously to se whether G7 countries come up with a concerted of support for the dollar. Page 21

COMMODITIES:

Representation of coffee producing countries will gather in Brasilie, the Brazilien capital, on Thursday to undertake the relatively pleasant task of deciding how to manage a buil market. Page 20

Life assurer United Friendly has started legal action over its purchase of Acuma, the UK pension financial consulting and life insurance company, from American Express. Page 18

INTERNATIONAL COMPANIES:

Mexico's government has proposed a sweeping of its long distance telephone market

# STATISTICS

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London share service . 29-31 Managed fund service 29-29 Money markets ... New int bond less

Monday July 4 1000 ■ Multi-millionaire bond trader sees himself as victim of smear campaign

# Jett joins battle with **Kidder Peabody**

M Joseph Jett me it, it is largely about race. Two and a half months after he was sacked from Kidder Peabody after alleg-edly mounting a \$350m trading scam, the black trader is beginning his fight back - and out to paint himself as the victim of a

smear campaign.
"They depicted me as being an urban black criminal." Mr says now of Kidder and its parent, General Electric. "That is something I rail against I have never in my life

attempted to use my race as an advantage. I cannot allow it to be used as a weapon against me - and that is what Kidder and GE's inght there. The things that made Kidder strong - the flatness of the organisation - meant that management is uncertainty. advantage. I cannot allow it to be The continuing saga of Joseph Jett is proving baleful for Kidder. The in April that the firm's profits had been overstated in earlier years by \$350m - ficti-

tious profits that the firm claims

bond trading - touched III deeper scepticism on Wall about the security firm's health. That resulted at the end of last month in the departure of Kidder's chairman and chief execu-

tive, Mr Michael Carpenter. The Joseph Jett affair unlikely to end there. He will not discuss the specific

allegations that Kidder has lev-elled against him, but it is had that the former trader will try to implicate other senior executives. Referring to management sight of his trading strategy, Mr Jett says: "Kidder is one of the mumi organisations on the

that management had to involved." The rise and fall of Joseph Jett is a story with a moral - what-

ever your point of view. Accord-

late, Harvard-educated 36-yearold, it is all about how powerful corporate interests gang up on an outsider when a scapegoat Kidder was losing money, and

ing to Mr Jett himself, an articu-

needed to blame it on someone.

According to many observers on Wall Street, it is about what happens when an ambitious securities firm with lax controls gives too much power to a trader with a chequered past. Mr Jett was made redundant from two previous trading jobs, yet was made tend that affire only the year with the firm.

In an interview last week. Mr Jett attempted to dispel such THE STATE OF Comparing himself with Mr

Mike Vranos, the Kidder mort-bond chief whose

continued on Page 19



No institution on Wall Street could do a strip trade without coming through Joseph Jett - We were that big, we were that powerful'

# Gencor to reveal details of Shell deal

Details of the long-awaited, \$1bn deal for Gencor of South Africa to buy the Royal Dutch/Shell group's mining and metals operations are expected to surface this

Gencor is already heavily involved in mining and metals in South Africa – producing gold, plathnum, coal, and aluminium among other things – and the Shell transaction, involving assets mainly under the Billitan is a second to make it an equally important player on the international stage. the international stage.

However, negotiations have been dogged with difficulties. First, Shell insisted on an early announcement in May last year after Gencor made its unsolicited approach. Since then various deadlines have passed because untangling the assets Gencor wants from other Shell operations worldwide took more time than expected, and because of the comolexities of Gencor's financing problems. Gencor originally intended to acquire

the Billiton assets, which then had a book value of \$1.8bn, merge them with its own operations outside South Africa as well as its R1.5bn (\$410m), 50 per cent stake in Richards Bay Minerals in South Africa, and to float the new group in London. It was considering taking on a partner or partners to help finance the deal.

within Shell. Low mails prices and restructuring charges sent its net losses to \$142m last year, from a \$75m loss in

And during the course of negotiations two important assets were ruled out of

Shell decided to go ahead with the flotation some of its Australian mining assets, a move being considered before Gencor's approach. These assets, including Shell's 30 per cent stake in the lucrative Boddington gold mine in Western Australia, are expected to raise about A\$400m (US\$294m) and Gencor said it could not match that plan
Shell also put its one-third stake in the

Collabausi copper project in Chile up for auction after Minorco, the cash-rich subsidiary of Angio American Corporation of South Africa, indicated it would exercise its pre-emptive rights to the holding.

This was disappointing for Gencor as the US\$1bn Collabausi scheme is one of Billiton's while the Australian operations would have provided valuable cash flow to help pay for the debt South Africa with a consortium of banks. The Reserve Bank, South Line a central bank, has approved outline arrange-as well prop permission for Gencor to take its Richards Bay Minerals stake offshore.

# Spanish telecoms group joins global alliance

Telefonica, the Spanish national telecommunications operator, has joined Unisource, the joint venture of the Dutch, Swedish operators which last month forged European alliance with AT&T, 💵 largest US telecoms company.

The move came as the three founding companies announced initial steps to merge their international telecoms net-works, and the Spanish government agreed to open Spain's undeveloped mobile phone market to competition.

With turnover of nearly 1115m in 1982,

Telefonica is far larger than its new part-

Its strong international holdings - notably its telecoms stakes across Latin America – make it particularly attractive 🚻 AT&T and its European partners.

Talefonica is expected to take ■ 25 per cent equity stake in Universe. Unisource was established two years ago by the Dutch, Swiss and Swedish operators as a means of pooling their efforts to exploit the growing market for one-stop

international telecoms services. Telepholes was attracted to Unisource by successes in the multinational organic sector, and by the deem to link up to alliance as Europe's larger men line up in rival branching group-

signed a \$5.3bn alliance with MCI, the second largest US long-distance operator, and is set to compete fiercely with Telefonica in the Spanish market through a deal with Santander, Spain's largest

The other transform alliance is between France Telecom, Deutsche Telekom, and Sprint, the third-largest US long-distance operator.
Unlike its Swiss and Swedish partners,

Telefonica is in the private sector. Its largest shareholder is the Spanish state with a 32 per cent holding.
Reversing Telefonica's long-standing

opposition in the Spanish telecoms market, Mr Candido Velazquez-Gaztelu, its chairman, said: "We support the Unisource policy toward opening telecommunications markets within

The Spanish government has taken the first by abolishing Telephony. Competitors will soon be invited to hid for a second licence to operate mightal callular

The Dutch, Swedish and Swiss national operators have decided to strengthen their existing Unisource alliance by sively merging their international networks, with the aim of securing a fifth at worldwide telephone traffic by

# Eurotunnel pessimistic on share inquiry

Eurotonnel's investigation into the alleged downward manipulation of its share price ahead of the pricing of its £858m 3.3bu) rights is likely to prove unsuccessful, according to the

company.

Its efforts have been hampered by French laws which details any market manipulation unlikely emerge. "I don't think we will ever find the smoking gun," said Mr Stephen Walker, Euro-

tunnel's company secretary.

Last month company Issued Section 212 notices la British and French financial institutions to discover if under writers had sold shares they did not own to buy them back later more cheaply. Eurotunnel believes any large-scale shorting was done in Paris but the details that several French-based institutions have given in their 212

returns are very limited. Banque Worms, for example stated it did not own or have an interest in any Eurotunnel shares but held about 9.5m on behalf of approximately 2,000 cli-

"French law impute banking secrecy obligations which prevent us from giving you further information in the allerm of authority from our clients, Banque Worms said. Exact movements of sharehold-

ings in the run-up to the rights issue announcement on 📠 🕶 26 will emerge in about six weeks once NatWest Registrars computed all Eurotunnel share trading details. However summa-ries of the 212 replies from UK underwriters indicate the report is unlikely to yield many clues.

SG Warburg, let example, states it led a short position in Registered Units w various times from March I 🝱 June 🖫 but over the period its holding was broadly level.

Only amongst non-underwriters is were evidence of largescale shorting and selling in Lon-don. NatWest securities reveals li was a lime seller of Eurotunnel shares over the process dated June 23 Morgan Stanley declared that it had a "short nominee interest" of 7.6m

The 212 notices were the Commission Operations de Bourse, French stock regulator, began an investigation.

# This week: Company news

# Test of momentum as big issue comes to market

international institutional livestors will know tomorrow how many shares they have been allocated in the biggest Italian privatisation so far: the sale of 51 per cent of Ina, the lill insurer, which last week

Small investors - more than 400,000 of whom applied for shares – should hear about their allocation by Wednessy morning, when dealings will start on the Milan and New York stock exchanges, and on London's SEAQ International.

The Italian treasury, which owns 100 per cent of Ina, expects to raise more than L 1,800bn (\$2,99bn) from the sale, making it by far the largest privatisation yet attempted, and the first under the new government of Mr Silvio Berlusconi.

Investors and analysts are watching carefully to gauge the success of the issue, which was prudently priced at L2,400 a share, towards the lower end of the range originally suggested by

The treasury closed the public offer for shares, which had been sold through the banking network, last Tuesday, three days ahead of schedule. In view of the recent turbulence on Italian and international markets and suggestions that the Italian public may be weary of large flotations, advisers to the government will be hoping for lively trading on Wednesday as an indication that the momentum

of previous issues is being maintained.

in the autumn, Mr Beriusconi expects

to return to the market with offers

of shares in Stet, the telecommun-

ications holding company, and Enel, the electricity generator.
Some 1.3bn shares were intended for the retail investor, 190m for Italian institutions, 250m for international institutions, and 130m for the US. although the actual figures will not be released until Tuesday.

Spotlight falls again on cash mountain

Analysts are expecting a 🔤 advance in pre-tax profits - GEC, the UK defence electronics group, for the year to March, with forecasts ranging from £875m to £900m (\$1.4bm) compared with the £863m made in 1992-93. The group's perpetually rising cash mountain is expected to have grown even bigger, possibly reaching £2.5bn compared with £2.2bn.

The backlog of orders is also expected to look healthy, possibly topping £13bn, compared with £12.3bn last year. Although it came too late to affect the forthcoming figures, the company recently announced a large train construction contract in South Korea for GEC-Alsthom, its joint venture with Alcatel Alsthom of France.

The market will be watching

carefully for any announcement from

Lord Weinstock, the managing director, about how he intends to spend the cash mountain; and also about how long he intends to continue working after his 70th birthday on July 29. Mr Brian Rusling, technology analy at Yamichi, whose profit forecast is at the lower end of the range, said: "I would be a little cautious about current trading conditions. The real attraction is the yield on the final dividend." At Friday's close of 288p. the yield was about 4.5 per cent, above the FT-SE 100 average. The consensus forecast for the dividend about 10.8p,

a slight increase on last year's 10.3p.

### OTHER COMPANIES Mannesmann faces shareholder grilling

Mannesmann, come of Germany's largest industrial companies, is likely to face some testing questions from shareholders on Friday concerning Mr Werner Dieter, the chief executive who is being investigated by the state prosecutor in the likely have the company." Mr Dieter allegedly obliged Rexroth, a Mannesmann subsidiary, to buy hydraulic machinery at inflated prices from Hydac, company largely owned by his family. The state prosecutor in Düsseldorf last week opened investigation and Mannesmann, when reported a 1993 mmassa M DM28bn (\$17.1bn), has commissioned KPMG, the auditors, to conduct separate enquiry. There are growing that the 64-year-old Mr Dieter, chief executive since 1985, will now be elected chairman of the supervisory board as planned. Mr Differ has described the charges as "laughable" and said they were leaked by the company to wreck his election the supervisory board.

■ Ciga: On Wednesday the Italian hotels group holds its annual shareholder meeting in Milan, amid continuing uncertainty about the intentions of ITT Sheraton of the US, which holds more than 14 per cent of the company's shares. ITT tried to win control of the heavily indebted group earlier this year, edging out the previous front-runner. Forte of the UK. But that plan failed when

Companies in this issue

Acuma

Ball (AH)

Biogen

CBS

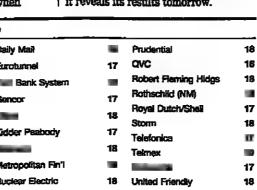
CLT

American Express

shareholders unexpectedly subscribed to a rights issue, which was supposed to fail and deliver Ciga into ITT's hands via its creditor banks. The Italian stock market authorities must now decide whether the US company has effective control of Ciga.

■ MFI: The UK furniture group is expected today to announce m big increase in full-year, pre-tax profits from £40.2m to about £70m (\$106.4m). Analysts raised their forecasts from about £60m after MFT's interim results in January, when it disclosed a much stronger performance in the January sales than in 1993. They are keen to hear from MFI whether the improvement has been sustained.

 Securicor: Increased profits from Cellnet, the cellular telephone network operator co-owned with BT, should help Securicor push interim profits beyond last time 229m ( ) when it reveals its results tomorrow.



This announcement appears as a summer of record only



Koninklijke PTT Nederland NV

Offer of 138,150,000 Ordinary Shares by The State of The Netherlands at NLG 49.75 per Share



N M Rothschild & Sons Limited acted as financial adviser to The State of The Netherlands

June 1994

# Independent expert sought to rule on Acuma buy from Amex

# Utd Friendly action over purchase

United Friendly, the life and general insurance company, has started legal action over its purchase of Acuma, the pen-sion, financial consulting and life insurance company, from American Express

In a summons issued in the High Court last week, United seeks the appointment of an independent expert to rule on how much it should pay Amex for Acuma.

United announced last October that it was buying Acuma Financial Products and Acuma. It made a payment on ccount of £11.4m in November but in February wrote to Amex saying that it disagreed with the preparation of Acuma's

Cade, partner in Arthur Andersen, the accountancy firm, nominated for the role by the Institute of Chartered Accountants in England and Wales, to help adjudicate on the final amount it should pay. The two sides have already reed on the appointment of

Mr Duncan Ferguson, an actu-ary at Bacon & Woodrow, to help resolve other differences. United says that the terms of its deal with Amex allowed for its seeking to alter the final purchase price after it had been sent Acuma's completion accounts and net asset value statement. United's summons

states that they were received on January 24.
"The final purchase price for have been discussing with Amex, effectively over the last six months, the interpretation of those terms," said Mr John Instance, chief executive of Acuma and a main board direc-

"We feel that discus dragging on and our legal advisers just suggested that the use of a writ was a mechanism to expedite a final agreement," he said.

tor of United.

The summons states that on February 11 United wrote to Acuma Financial Services, an Amex subsidiary and a second defendant, listing its objections to Acuma's accounts.

Amex then wrote back but with the two sides unable to reach agreement, United says it is entitled under the original

lengthy legal contract and we contract to seek the appoint-have heen discussing with ment of a chartered accountant to rule on the accounting

> In particular it wants Mr Cade in militaria on two areas of Acuma's balance sheet as of October 31, both relating to the calculation of net asset value. They are total assets less current liabilities, valued by Amex at £111.6m, and the g term business fund, stated

> United's main business has been selling life assurance and general insurance to middle and lower income households However by buying Acuma 20,000 better-off households In its annual report for the financial year to December 31

> 1993 Mr John Rampe, United's

"the most important strategic development during the year" Mr Instance said yes said the dispute with Amex was not because of new bad debt provision for possible mis-

selling of pension plans by Acuma sales staff. "Acuma was doing things istent with the rest of the industry. There have been no discoveries of anything we were not aware of before," he

Amex said on Friday: "We are in the process of the reviewing the summons and we have no comment at this

Pre-tax profits of United dropped by £3m to £20.4m last year mainly due to a decline in motor insurance profits.

# Robert Fleming chiefs paid more than £1.5m

By Norma Cohen,

Two executives of Robert Fleming Holdings, the investment bank, were paid more than £1.5m in the year to March 31 1994, while ₹ third senior executive earned a little more than fim, according to the company's annual report. A further five senior executives received total remuneration of between £525,000 and

In addition loans to directors nearly doubled in the year, with £4.1m to 22 directors outstanding at year-end, up from 22.5m in April 1998.

Fleming saw pre-tax profits

in 1992-93 the highest paid executive was paid a total remuneration of £955,000, with the next highest receiving

Overall, the total remuneration paid to Fleming's 26 executive directors in 1993-94 rose by 50 per cent to £12.4m, against £7.8m in the comparable period. Of that, £8.2m represented performance related In the previous year, senior executives received a far more modest £4.1m in preformance related pay.

The annual report only details performance related

rise by 97 per cent to £209.9m although other Fleming offinith that period. significant performance related

Mr John Manser, group chief executive, said last week that almost all of the fuceses of about £50m in administrative costs represents profit-raised

The annual report shows that Mr Manser eres cised 30,000 of his stock options during the year, while being granted an additional 10,000. Mr William Harrison chief executive of the inves ment banking division was granted the most stock options during the a total of

# Glaxo reshuffles managers following Girolami move

Glazo, the pharmaceuticals npany, has announced yet another management The moves follow the decision by Sir Paul Girolami, chairman, to hand over execu-

research and development director until last year, is passing responsibility for R&D to Dr Franz Humer, chief operating officer. Dr Humer will also technical directorate, mostly manufacturing and quality assurance, and Latin America. Mr Neil Maidment, who controls the Asian-Pacific, African

Sir Richard, who responsibility for

kets from Dr Humer. Mr Robert Ingram will have responsi bility for north America and Mr Hiroshi Konishi for Japan. All will report directly to Sir

Sir Mark Richmond remains director of research, and Dr Goran Ando, stays as director of group development and product strategy, but both report to Dr Humer.

**NEWS DIGEST** 

# Prudential sells Irish life assurance arm for £30m

branch network.

Prudential, the UK's largest life insurer, has sold its Irish life assurance and pensions company to Irish Permanent Building Society for £30m cash. Prudential Life of Ireland was already involved in a joint venture with Irish Permanent; through Irish Permanent Life and Pensions, which sells pensions, investment and life products through the society's

The purchase was driven by the same factors that have led some larger UK building societies to set up their own life operations. Details of the deal will be given in the prospectus to be issued by Irish Permanent as it prepares to convert from a mutual organisation to plc status in the autumn.

Prudential Life of Ireland smong the country's 10 larges life insurers with 6.7 per cent of the individual regular pre

# Rothschild to put Sizewell case

By David Blackwell

Nuclear Electric, the state-owned electricity genera-tion company, is to hire NM Rothschild to help it make a case for building a second pressurised water reactor at Size-

Yesterday the groun described the merchant bank as "market leader in all areas of utility financing". It added that the funding of another reactor would be kept separate from the issue of privatisation, for which it has already hired Morgan Stanley.

Nuclear Electric, which will tomorrow report operating profits of about £760m for the year, said that privatisation remained its priority. But in the light of the government's nuclear review it needed to look at the future needs of the

One PWR at Sizewell in Suf-

folk would replace all six of the old Magnox reactors that will be taken off line in the next 10 to 12 years.

Vinneal wat

rival in 873

NG BUSINESS

ACM 📼 Brains at the track

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 $\mathcal{M}_{\Omega, \Sigma_{(1)} \times \mathcal{M}_{\Sigma_{(2)}}}$ 

Sec. 4.

The second second

Same of the \$25gg ...

200 \$50<sub>(204)</sub>

Last week the group outlined an option for financing a new Sizewell power station which would require an initial gov. ernment subsidy of up to fibn. This would help it to offer a rate of return, between 11 and 12 per cent, that would attract private sector investors to fund

the rest of the £3.5bn cost. CROSS BORDER MAA DEALS AVTINE COMMENT restructuring Strategio sale Sanoti setting peripherals Sid Increased world's bigger Doubling US

### tive responsibilities to Sir Rich-Sykes, deputy chairman and chief executive, last month and cease being a non-executive director in September.

AH Ball drops

into losses

of £405,000 AH Ball, the civil engineer, announced a drop into losses of £405,000, compared with a

profit of £406,000, for the year ended March 31 1994. The main problem of the year was a substantial loss on three contracts which brought the gross profit margin down from 28.6 per cent to 14 per cent. This was reflected in a fall in gross profits from £1.76m to £1.19m on turnover up from £8.1m to £8.63m. There is no final dividend, as

1p compares with a total of 3.2p. Losses per share came out at 3.87p (4.42p).

and Middle East markets will

### Kleeneze jumps 40% to £0.85m

Strong growth in its core home shopping businesses enabled meze to report a 40 per cent rise in pre-tax profits from £606,000 to £849,000 for the six months to February 28, despite restructuring costs of £404,000. The costs related to the retail business which also incurred operating will of £324,000.

from last year's lp.

Group operating 11/11

£2.87m from discontinued activities. Karnings per share came out at 4.7ip (3.17p). No interim dividend is declared but the company intends increasing its final dividend

### Storm placing to raise £2.3m

Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters for the children's entertainment market, is raising a net £2.3m via a placing and open offer. It also announced the disposal of its Turnover was \$40.8m. magazine publishing interests.

Storm issuing 16.97m cent increase in the issued share capital, at 15p per share with a 3-for-14 clawback. USM-traded Storm returned

to profitability last year after two years of losses with a 1993

pre-tax profit of £122,000 (restated £2.1m loss). Daily Mail rejects offer for Chiltern

Deily Mail and General Trust has rejected the offer by CLT, one of Europe's largest private broadcasters, for its shares in Chiltern Radio, which broadcasts in the north and the

DMGT, which recently acquired an 18.5 per cent stake in Chiltern, claimed that the offer significantly undervalued Chiltern's prospects. Luxembourg-based CLT has offered 242p per share valuing the company at £16.9m.

DMGT also announced that it was buying up to 9.99 per cent of Chiltern's shares in the market at 300p each. DMGT and European Media Associ-ates, a company formed by DMGT with European Media Partners, are seeking to buy up to 648,587 Chiltern

Chiltern said it planned to have talks with both DMGT

### BEDDER/INVESTOR SECTOR TARGET **Electrics** Charter (UIQ St Jude Medical (US) Unit of Siemens (Germany) Units of Starling Diagnostics Bank (UK) OII III Gas Parker III. Paraley (US) Bridge Oil (Australia) Compute Blockbuster Virgin Interactive (UK) Heilkopter Service (Norway) Band Helicopters (UK) Units of Morrison Restaurants (US) Catering Conditionally Power Corp (treiend) egreed Reinsummer **GR** telding indirect control

At brings in great pleasure in lifering my that in following people law promoted, Marshy July 1, 1994. I join us in congratulating our colleagues on well-deserved promotions:

To Associate Director

To Yie President/Senior Manager

Margaret Corona

To Ambient Vice President/Manager

Craig New

To Amazal Treasurer/Assistant Manager

Jonathan Astley Pawan Chabca

Evelyn Chol Gary Lydon



FUJI CAPITAL MARKETS CORPORATION

A Subsidiary of The Fuji Bank, Limited

9.61 9.61 9.61 1.62 10.77 11.62 11.63 11.6

2.88 2.84 10.75 21.51 21 

Energy International N.V.

Shareholders in the Pand are convened to amend the Annual General Meeting of second to be held on Friday, 29th July, 1994 at 10.00am, at the registered office of the Pund at Picterman 15, Willemstad, Curação, Netherlands Antilles.

The items on the agenda are:- Approval of the Report of the Board of Manage year from 1st April, 1993 to 31st March, 1994. Approval and adoption of the balance sheer as at 31st March, 1994 and of the statement of operations for the year ended 31st March.

3) Ratification of the actions of the Board of Management for the year ended 31st March, 1994. To declare a dividend of US1.50 per share for the year ended on 31st March, 1994 tended by the Auditors as necessary to obta or such dividend as may be recommended by the United Kingdom distributor status for the Pund. Election of the Members of the Board of Manag

6) Proposal by the Board of Management to amend the Articles of Incorporation so as to abandon share certificates in relation to registered sharer and to remove the

A copy of the Agenda and a draft of the proposed amendments to the Articles of Incorporation as amended are available for inspection by chareholders at the registered office of the Fund. Copies of the Fund's Letter to Shareholders concerning the proposal referred to in item 6 above are available from the Paying Agents and from the registered office of the Fund.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their mones, addresses and nationalities at the registered office of the Fond not later than 22nd July, 1994. 4th July, 1994 By order of the Board of Manag

This advertisement is lasted in accordance with the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). Application has been made to the London Stock Exchange for the issued Ordinary Shares of 2.5p each and the 12 per cent. Convertible Unsecured Loan Stock 2005 of Bluebird Toys PLC ("Bluebird Toys"), currently dealt in on the Unlisted Securities Market, to be admitted to the Official List. It is emphasised that this advertisement does not constitute an offer or an invitation to any person to subscribe for or to purchase securities. It is expected that dealings will commence in the Ordinary Shares and the Convertible Unsecured Loan Stock on 4 July 1994.

# Bluebird Toys PLC

# Introduction to the Official List

1,500,000

4 July 1994

of 2.5p each

£5,906,220 12 per cent. Convertible Unsecured Loan Stock 2005

Copies of the Listing Particulars relating to Bluebird Toys may be obtained during normal business hours (Saturdays and Public Holidays excluded) the Company Announcements Office of the London Stock Exchange, the Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2 (for collection only) up to and including 1 July 1994, and up in and including 18 July 1994, from:

Bluebird Toys PLC The Mulberrys Kembrey Park SN2 6YP

Sponsor: Smith New Court Corporate Finance Limited Smith New Court House PO Box 293 20 Farringdon Road London EC1M 3NH

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Mortgage Funding Corporation 1 Plc £175,000,000 A-1 \$25,000,000 Class A-2 Mortgage backed floating March 2020

30 June 1994 to 30 September 1994 the Class A-1 notes will bear interest at 5.62813% per m, Interest payable on 30 September 1994 will amount to £1,418.60 per £100,000 note. The Class A-2 notes will bear interest at 5.82813% per annum interest payable on 30 September 1994 will amount to per £100,000 note. Agent: Guaranty Trust Company **JPMorgan** 

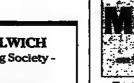
### WOOLWICH - Building Society -

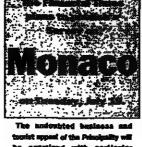
\$175,000,000 Floating rate notes due 1997 Notice is hereby given that the notes will bear interest at 5.39063% per annum from 30 June 1994 to 30 September 994. Interest payable on 30 September 1994 will amou to \$135,87 per \$10,000 and £1,358.73 per

Agent: Morgan Guaranty

Company

**JPMorgan** 





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FT Surveys

### **COMPANIES AND FINANCE**

# E1.5m BankAmerica pays \$50m to cover losses at fund

By Richard Waters in New York

Same.

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Section .

MALLE

zewell ca

BankAmerica has paid \$50.5m losses at of its market mutual funds taking 🔳 \$67.9m the 📖 🚜 compensating investors for losses on volatile derivative-

On Friday, the Securities and **Exchange Commission released** a letter in which it indicated that several other money managers have shouldered on securities which the regulators viewed unsuitable for money market funds.

Money market funds seek to beat normal bank deposit rates by investing in short-term debt

There is an implicit understanding that investors' principal will not be put at risk - 🔳 factor which has encouraged some banks and others to bail their funds in recent

RankAmerica said its famile had held structured issued by government agen-

### China exceeds Yn100bn target for debt finance

Tony In

China list seemed its of Yn100bn (\$11.5bn) in the mb of Treasury bonds to budget deficit he 1994-95, Illa People's Bank

The bulk of bonds sold carried two and three-year maturities, but other categories accounted for about 10 per cent of the offering - China's largest since the Revolution. Mr Zhang Jialun, a senior Ministry of Finance official responsible for the bond issue, described as a "very good

bonds this year: by June 30 Yn102.5bn had been issued. The two-year bonds carried a coupon rate of 13 per tent while IIs three-year

trend" the strong demand for

yielded 13.96 per cent. China's budget defict is fore-cast to reach Yn67bn in 1994-95, while total liabilities, including domestic and foreign debt service, are expected to amount to

cies. The return on such instruments is tied to an external factor - for instance, the return on a stockmarket index. or the difference between short

and long-term interest rates. Depending on their structure, such instruments can result in a leveraged exposure to movements in financial mar-

BankAmerica did not provide details of the particular which led to in the two funds, Iba Pacific Horizon Prime Fund and Government Fund.

However, it said that these instruments, while permitted under the rules of the funds, had been unsuitable for the

The bank and all of the funds' structured nim had now been and The nie prompted by quickly rising US interest rates, "a significant tors and indications from lators structured may be inappropriate in money maries funds, II seed

In a letter at the end to the burner Com-Institute, the mutual funds trade association, Mr Barry Barbash, director of the SEC's investment management division, outlined types m structured securities IIII could be unsuitable w all such

These include inverse limit-(interest on which falls as market in rise), leveraged (which give | | exposure to rate changes), range (which cease to pay interest a certain level is reached), and dualindex floaters (the return on which is tied to the relationship between two indices).

Recent interest rate rises have "caused the value of many of these securities to fall below par." Mr Barbash said. The SEC urged all managers of many maries funds to develop a plan to "dispose of Ille amortiles in an orderly manner, with the

ISSURES of the Application

# Minneapolis bank buys rival in \$750m deal

By Richard Water

First System, fast-growing Minneapolis-based bank string in agreed acquisitions with an agreed politan Financial in a deal val-

The acquisition in part signals the growing pace of US bank mergers ahead of interstate banking legislation expected this year.

"We think the pace of consolidation will made - that has had an effect on our acquisition strategy," Pieu Bank Metropolitan strengthens

First Bank's position in the central truthday of the country, with a director at a paint like Minnesota, North Dakota and while extending in near into additional such such Nebraska, Kansas and Wyo-

The all-share in values Metropolitan al la mer 1.6

depending on the final terms.

Based on its assessment that the merger will result in cost savings of 35 per cent at Metropolitan, First Bank said the deal would add marginally to its earnings per share in 1985

First Bank has made four acquisitions in the past II أوبا يا واللا ندار أو أوليا to Metropolitan will bring a further \$8hn of assets.

Like other regional bank mergers, the transaction is intended to bring down overall by reducing emitted mon technology, and and ing a broader range of products to the combined transcense

Metropolitan, a savings bank, im traditionally relied on domestic mortgages, although it has expanded recently him consumer landing, which we account for \$1.6bm of in \$5.5bm of loans.

# Concern grows over **Swedish**

By Graham Bowley

bond sale

Concern in grading over today's auction by the Swedish government of SKr6bn of new government bonds. This folhad termoil in the country's financial markets on Friday sparked by war over the continuing rise in state debt. The turmoil began after

remarks made by Mr Björn Wolrath, chief executive of Skandia, one of Sweden's two leading insurance groups and one of the country's largest institutional investors, that the company had stopped buying government bonds in pro-test at the state of the country's finances.

not going to buy a single gov-ernment bond as long as the Swedish politicians do not have a trustworthy policy for reducing the budget deficit." Bond yields rose sharply on Friday to almost 10 per cent, the Stockholm stock exchange fell 2 per cent and the Swedish krona fell against leading cur-

Mr Wolrath said: "We are

Mr Malcolm Roberts, head of global bond research at UBS in London, said: "Sweden has the highest real yields in the world, along with Canada. Such high real interest rates imply an ever-increasing bur-den of financing and it is this combination of high real rates and a rapidly rising debt to income ratio which has the potential for a buyers' strike,

which seems to be taking

Other insurance groups have said they would continue to trade in government bonds and senior officials at the Finance Ministry said they did not expect any short-term

It is feared, bowever, that the covernment will have difficulty in meeting its financing needs as a result of Skandia's

Sweden has the fastest growing debt among Organisation for Economic Co-operation and Development member countries, standing at about 30 per cent of gross national product at the end of last year, and a budget deficit of 13 per cent of GNP.

# Mexico in telephone liberalisation

By Damian Fraser in Mexico City

government lim proposed a sweeping liberalisa-tion of its long-distance telephone market from January 1997, promising to remove the most important barriers to competition.

Tel ministry of ministry tions and transport has agreed to limit be number of an riers that can offer long-distance services from the dist the entire on cession enjoyed by Tallian de Mexico, ila monopoly provider, expires. Any carrier complies with governmentestablished requirements will be granted a licence.

Long-distance carriers will be allowed to establish their own local networks that will enable them to bypass Tehnex

altogether when offering long-distance telephone service. Telmex had strongly

"The Mexican government down in the side if competition," said I all sick, an analyst with SG Warburg "Telmex did as get mat

Telmex from long distance and international all last year, me half its revenues. It is by far in the land largest quoted with investors acutely concerned the impact of competition or separate the Startin Peon M Baring Securities. In months MCI/Ban-

Iusacell/Bell Atlantic. Motorola/Protexa. Grupo Domos, and All among others plans to offer long-distance services in to obtain long-distance yet to be established, and officials predicted tough negotiations. Over the next few months it will decided whether carriers will a fee for the licence, they will any non-commercial obligations,

will govern tariffs. The prerequisites for domestic long-distance and international long-distance concessions are likely be different. with Telmex fighting for tougher conditions for to international services.

and what if any regulations

"The core issues decided," Mr Santiago Levy, of the government competition commission "We have a good start construct-

nications market in Mexico."

nection plan:

 Telmex will initially have to permit interconnection between long-distance and local service in of the country's largest cities, and in by 1999. Telmex will set interconnection fees according IM the providing the service, not discriminate against competitive carriers and separate the accounting it its long-distance arm from its local service unit.

■ Users will ■ ■ pre-subto any long-distance telephone service, rather than choosing by dialing a specified code, as Telmex had proposed. Allowing pre-subscription will enable Telmex's competitors build up solid client base, and establish a repability for service, according to Mr Levy.

# Biogen says drug will reduce disability in MS sufferers

Biogen, the US biotechnology company, expects to clinical trial results within the next four to five weeks which should demonstrate one of its drugs can reduce disability in multiple sclerosis patients.

It would be the first time drug has been shown capable of reducing disability caused by MS, degenerative disease, people in the US and as many

as 400,000 in Europe. The two-year clinical trial involving 300 patients designed to show the safety effectiveness of Biogen's beta-interferon treatment. Mr Jim Vincent, chairman, said the trial was designed to show

reduces disability in MI patients. At present, the only licensed

the medicine measurably

product for multiple sclerosis is Betaseron, Schering's treatment. This was the many decemeration in the last place of stocks. For his last the distribution of the reliable

The drug, which was to be the of huge demand. The product in serve and my generate man of DM560m (\$351m) war, according to Mor-

If Biogen's International a licence. plans drug own in the U and Kurone, where the group it can cover III marwith no more than 200 representatives.

In Japan, Biogen plans to license the drug to another company. Mr Vincent said the group was talking to several companies, both Japanese and multinationals in Japan, and a decision would be taken soon.

Mr Vincent said he did not expect Biogen would need to return to the capital markets during the launch of beta-interferon and Hirulog, a product Mat Mails clotting of Ma blood. However, he warned the group's profitability affected by the cost of finishing launching the drugs simultaneously in

### Ital-Thai **Development** prices issue

By William In In Inchin

Italian-Thai Development. which dominates In Thai construction sector. I its inipublic price for or 10 per unit the company # \$1.72bn.

Analysts price, at the top of the halfstand stage of Bt150-Bt175, leaves little room for trading gains after listing. Italian-Thai, south-east had bigconstruction company of infrastructure devel opment, will foreign local investors. Subscription 🖹 on July 6–8. Last Ital-Thai

profit of Bt1bn

# Joseph Jett joins battle with Kidder Peabody

continued from Page 17

bonus last year topped even Mr Jett's own 39m, he said: "If you look at Vrance' progress and you look at mine, there is no difference – except that I'm older and better educated."

In Mr Jett's version of events, he also created Wall Street's biggest trading opera-tion in stripped bonds, the specialism part of the fixed munici markets in while he

"No metter what First roow me, besmirching my I I I that operation from having 3 per and market per cent market share. No institution on Wall Street

could do a strip without

coming through Joseph 441 -

big, we were that powerful." In such comments, there are echoes of another Joseph - the aggressive, take-no-prisoners trader depicted in a number of reports.

But Mr Jett now plays down such characteristics. That depiction - and the racial overtones of the attack - he likens to the case of OJ Simpson, the

no we train We were and

in football hero charged with murdering his wife. Referring un an infamous magazine which he sparked transition I need the U Simpson. Mr III "It's like Time magazine darkening OJ Simpson's face. If you allow it to be and done, perception become reality. You keep repeating it and repeating it,

and all of manual it's true."

JUNE I III

# **DOING BUSINESS** IN RUSSIA?

San time, effort and money at the start

All foreign companies wishing to conduct Dusiness in Kussia need to texistet mete. In Moscow, registration is handled by the Moscow Registration Chamber. Fortunately, this process can relatively quick and resp, thanks to Financial which is now offering in Moscow Registration Chamber's own Guide Registering Companies in Moscow. Written in English and in collaboration with the international law firm, Salas Hertzfeld Heilbronn, this invaluable Guide

- Enables you is select the most suitable legal structure for an enterprise
- Supplies checklists so you avoid common mistakes when registering
- Provides sample registration forms and letters to obtain the relevant authorisations
- Lists addresses and contact details of key

agencies in Moscow Much of this information is simply unavailable elsewhere and will be of real practical everyday use to anyone intending to do business in Russia, as well legal, financial, accounting and min

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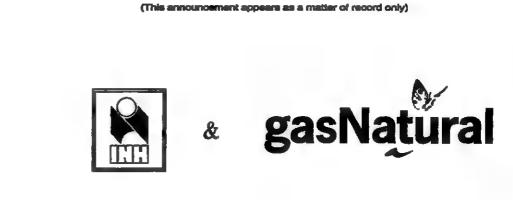
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Global Investor / Gerard Baker in Tokyo

All eyes on the yen

Tokyo had everything last Week the country that once set stability saw the resignation of its third prime minister in a ir; his successor turned out to be the first socialist in the effice for nearly fifty years; and the government he formed on Thursday is perhaps the oddest coalition of unlike minds ever to sit in cabinet together. And despite all that the yen finally reached parity

**國 5.77** ... TY. ret.

with the US cent.
The markets paid little heed to the country's increasingly surreal political developments, but the yen was another mat-ter. Attention was focused on the Bank of Japan, which spent more than \$10km in an attempt to prop up the dollar.
The BoJ does not wish to

ride to the US currency's res-This week the Japanese bond market is nervously awaiting the outcome of the struggle between the bank and the cur-

nancy markets.

Behind the bank's reluctance to raise rates is a belief that the yen's strength is a temporary phenomenon. It has repeatedly argued that the economy is recovering from the recession. Favourable figures for first quarter GDP growth seemed to support that view. If the recovery continues, the Japanese trade surplus, the key to the dollar's difficulties.

will decline as imports recover. Inflation, though not an imme diate risk, is still around the corner, says the bank.

The bond market has shared the BoJ's analysis. Bond prices have alumped since the start of the year. Even last week, as the dollar fell, bond prices eased again slightly, and the yield on the 10-year bellwether bond reached a one-year-high at 4.6 per cent. But there are two reasons to be sceptical about the bank's prognosis, and to be bullish on bonds. Unlike other currency crises

this one is less about speculative flows in the yen's favour and more about real economic flows. The Japanese economy is running huge surpluses on both its current account and its capital account. Though the current account surplus shrank slightly in the first quarter - down from \$32bn to \$30hn - it was more than offset by the capital account, which corded a surplus of \$47bn in the first quarter, against a defi-cit of \$50m in the first quarter

Investors have been pouring money into Japanese assets as other countries' stock markets have plunged. Though this cannot be sustained in the long term, it explains why demand for yen is so strong. The recovery is far from guaranteed, especially with the yen obstinately high. Con-

over domestic investment, and while savings are falling alightly, investment is still in deep decline.

Moreover, despite the central banker's typical caution, inflation is non-existent in Japan.

International pressure will

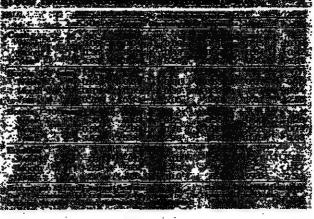
intensity for a monetary eas-

anaemically. The current

excess of domestic savings

culties are global, it is the US-Japan bilateral trade relationship that is the greatest source of its weakness. A further cut in Japanese rates would assist the economy and reduce the

**Equities** While the rest of the world's bond and equity markets have



moved in tandem this year, Japan's have become un pled. The country is at the stage of the business cycle where the two can, for a while, move in opposite directions, as investors believe the as-yet-unrealised profits recovery will offset the impact of higher

almost exclusively by foreign

Clinton administration came

forward with a new agenda,

one that is entirely its own. At

the top of the list, alongside trade and the environment,

come labour standards. Mrs

Rafidah Aziz, Malaysia's

redoubtable trade minister promptly responded that the linkage of trade with labour standards "would, in effect,

provide a convenient cover for trade protectionism". Mr Robert Reich, US secre

tary of labour, has justified US demands in an article in the

Washington Post, in which he argues that "some labour

practices simply place coun-

tries outside the community of civilised nations. A consen-sus list of 'core' labour stan-dards will certainly proscribe

goods produced by prison or

slave labour and by very

added the right to form trades

unions and bargain collec-

tively. Action against coun-

tries that violate such stan-

dards is, he insists, justified

Is it? Slavery is a red her-

ring in this debate. Prison

lahour sounds equally dread-

ful, but what of the argument

that prisoners need to learn useful skills and help support their families? What better

way can there be than for them to produce goods for

export? Provided wages and

conditions are in line with

those in the market, this

seems better than for immates

a destitute Bangladeshi widow

The ink was

not even dry

on the agree

the Uruguay

Round of mul-

tilateral trade

negotiations

before the

But in the past two months the flow from abroad has dried un, and foreigners became net ellers in May, tempted by So far this year, the Nikkel And no wonder. The wise has been driven upwards

money. In the first three

months of the year, foreign net purchases of Japanese equities

were greater than in the entire

previous two years. Domestic investors remain uninterested.

investor who exchanged US

dollars for Japanese equities on December 31 last year would have gained more than 30 per cent in the six months since, as equities have risen by 20 per cent and the yen has climbed by 10 per cent. The even wiser investor who liqui-dated UK equities in order to buy the Japanese stocks would have made a total opportunity gain of more than 40 per cent.

With that sort of profit in six months, the foreign-led charge looks like fading. Optimists are pinning their hopes on domes-tic investors to take up the slack. But if they continue to stay away it is hard to see where the market's gains are coming from. Too many of the institutions had their fingers burnt last summer, when, baving missed out on a similar Nikkei rally in the lime half the year, they plunged in late only to find the market drop through the floor for the rest of

Individual investors, the motor behind much of the market's ascent in the so-called "bubble years", are still too shell-shocked by the subsequant collapse to venture from safety of their deposit accounts. Even if there were a further cut in interest rates, it is unlikely that savings rates can fall much lower, and it is unlikely that individuals would be be tempted back into

### Banks

Japan's banks have made: strenuous efforts recently to convince investors that the worst of their difficulties are over. This year they are claim. ing that an aggressive policy of writing off bad debts in the past two years has paid off More than half the main "city" banks claimed that their total problem loans had peaked in the year to end-March

Low price!

One of the few problems they face which is not of their own making the regulatory approach of the Ministry of Finance. Concerned about the effect of tax-deductible provisions on fiscal revenues, the MoF has in the past taken a miserly view of provisioning requiring banks to justify in detail every loan they plan to write off or provision.

But the MoF has now confirmed that in the past few months it has taken a more liberal approach to bad debt provisions, and banks' writeoffs are expected to increase

harply this year.

Banks' declared problem loans are, however, only a proportion of the total, since they do not include loans to come-nies in trouble which have not actually defaulted. Nonetheless, the MoF's new-found leniency will improve the km ger-term earnings outlook for the stronger banks.

COMMODITIES

# Managing a bull market

Representatives of coffee producing countries will gather in Brasilia, the Brazilian capital, on Thursday to undertake the relatively ple ant task of deciding how to manage a bull market

Delegates from the host country, Colombia, central America and Africa will be joined at the three-day meeting by US officials in talks prompted by the record-breaking surge in coffee prices that followed news a week ago that

aged by frost. Producer stocks available to dampen down the ensuing prices rose by more than 40 per cent - are mostly held in Bra-zil, estimated at 17m bags (60kg each) and Colombia, 5m

The chief task of the meeting will be to decide how much of this should be released to the market and on what time

be damaged by the rise of prices to 7%-year highs and how to head off an excessive build-up in production that could quickly send the market from boom to "bust".

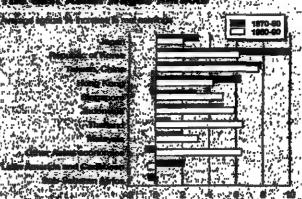
Before that meeting the world's coffee traders will be looking out for an official ent of the extent of the damage to Brazilian bushes. Analysts' "guesstimates" last week ranged between 5m and 9m bags out of a crop previ-

world coffee production. With Brazil's coffee frost "season" having five weeks to run, weather forecasts for Brazilian growing areas will also be of more than usual interest. The most damaging frost ever to hit the Brazilian coffee industry was in 1975, on July 19. That reduced the following year's crop by nearly three quarters, but since then the bulk of the country's coffee planting has moved further north, and is therefore less

represent about 10 per cent of

# Economic Eye / Martin Wolf

# Protectionist standards



industrial countries, except for little Ireland.

This leaves by far the most significant "right", that to bargain collectively. Stripped of its progressive gloss, however, collective bargaining is merely cartelisation of the lahour market. Why is this a fundamental right, to be placed alongside free speech, the vote, or habeas corpus?

Mr Reich accuses critics of the sin of "laissez-faire dogmatism". On the contrary, they base themselves on experience. The chart shows the astounding rise of real wages in the export-oriented economies of east Asia. Does this trades unions to push up wages, thereby producing what Mr Reich desires, "the

be forced to beg or starve, rather than work? Parents want what is beet for their emergence of middle-class children. But if the children of economies"? The answer is no. As the World Bank says in the poor are to be educated. resources must be found to the study from which the chart is drawn, "Korea, Singaents. So one test of US sincerpore, and Taiwan, China, supity is the scale of its aid effort. pressed independent unions. Malaysia has independent

gross national product, it is, unions but highly restrictive Japan do not intervene in labour relations. However, in Japan most unions are company based". Mr Reich talks of the expectation that labour standards should improve as economies develop. So they did, not because of unions, but because of rapid growth, full employment and specialisa-

tion on the basis of compara-

tive advantage. In the early stage of devel-opment, when massive migration of workers from the countryside to modern industry is required, strong trade unions virtually ensure, instead, the emergence of narrow labour aristocracies. Which country standards in the 1970s, Korea, which repressed trade unions, but had export-oriented industrial growth at 15 per cent a year, or India, where a highly unionised, but stunted, advanced industrial sector grew at only 4.5 per cent.

Mr Reich does more than call for basic rights. He suggests, as a further test of a

country's probity, that "lowwage workers should become better off, not worse off, as trade and investment boost national income". This is a peculiarly ill-judged sugge tion, since the US is one of the few countries to fall this test over the past two decades. Indeed, by continental European standards it falls short on many criteria of how an advanced economy should treat workers. This demon strates how intellectually fragfle labour standards are, no that the US should sink in the European quagmire.

If the supposed rights ar debatable, action against alleged abuses will be more questionable still. Most of these abuses will, after all occur in areas that have little to do with trade. Action might be taken against Sri Lanks but we know it will not be taken against China. Further more, before action them must be international agrement on the content of labour standards. Otherwise, it would

just be bullying.

Is there anyone so naive a to the fore because of concern for the poor? It is, instead a response to the adjustments imposed by the rapid growth of developing country exports. itself among the most effective people doubt that this is the origin of the demand for imposition of minimum labour standards, they need only jointly by the US, where real wages have stagnated for two decades, and France, most

major industrial countries. It is a demand that lacks justification, will not be honestly enforced and would not significantly improve the lot of developing country workers if it were to be. Under the pretence of helping the poor, the industrial countries pro-pose either to undermine their competitiveness or impose protection against their exports. From the point of view of developing countries, this appears, inevitably and

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outspokenly protectionist of

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# Low prices and timelags fuel Budapest

brokers among them, all the summer the cucumber when nothing much happens.

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But Hungary's securities houses are far from vegetating. Since April hardly week has by without a new public offering or private placement of shares.

Fotex, the private retail group, raised \$70m in April from international institutions in the largest equity issue ever by Hungarian company. In June there four significant offerings: Egis and Pharmavit in the pharmaceutical sector, Global TH, the retailer, and Graboplast the artificial

In total, Hungary has seen issues worth about April. That not sound lot in terms, but it more than quarter of the Budapest marcapitalisation of Ft113.6bn (\$1.1bn) **the end** May. The burst of new issues, also

portfolio investment flows above foreign direct invest-

Hungary, more than any 🖬 its east European neighbours, had put the focus of privatisation us trade will of sim companies in master multinationals. Foreign invest-ment was in taking the accumulated stock to more than \$7bn, about half of the total for the region.

However that success has, to some extent, crowded out financial investors. The Budapest like a leastern Europe when founded almost four years ago, is now branch by its Warn and Prague counterparts. The of new share issues offers Chance to min

Mr Mills Simor, managing director of CA Securities, the local Creditanstalt subsidiary new issues, "It high

17/6/94 Week on week charg								
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Kordosa	Turkey	12 1		18.2				
Harrison PU	Brazii	0.7746	0.0500	10.3				
Kordosa	Turkey	0.4	D.DHEY	14.9				
Aygaz	Turkey	0.3280	400000	123				
Light De De	Brazil	0.2144	10.00	163				
Migros	Turkey	2.7 Hz	O STREET	11.0				
Yapi Ve Kredi Bankaei	Turkey	A. Calaba	O. Carrier	10.4				

Budapest's for the first time, has lifted time." In a sense, it was just a matter w time. "Four warm have passed limi companies became aware of the market," said Mr Jozsef Rotyls, managing director of the BSE "It is less and less of a problem to lave the manager and

years of audited figures." Western industrial investors have also improved the of many Hungarian companies to the point that the state can Its remaining stake. A core western owner with mancontrol provides reassurance to passive investors.

It does not always work that way. The new issues this spring were to have led up to a public offering this autumn, **11** a stake in Matav, the telecommunications monopoly. But Deutsche Telekom and Ameritech the Die man and US toleran companies which bought 30 per cent

of Matav last December, blocked the Inner on There was however, several of public public ings after a trade sale, like the brewery, Soproni Sorgyar, con-trolled by Brau of Austria and offered this April. And a growing number of private start-up companies like Pharmavit narias enough in musel

equity has and Hungary, in time, has and come round to the need to win popular support for privatisation by offering shareholdings to the public. A particular stimulus to the congovernment the

	MEN	/ PAI HO/	IOO II		
	MEA	EQUITY			
Сотралу	Date	Dollar amount	%	Lead manager	P/E retio
Denubius	Jan/94	\$23.6m	29%	DM Securities	174
Pannonplast	1	\$18,3m	30.0	CS First	6.9
Fotex	Apr/94	5000	23%	CS First Boston	15.6
SHOWN THROUGH	Apr/94	\$18,4m	37%	CA Securities	8.6
Pick Szeged	May/94		17/5	Montagu	100
Pharmavit	Jun/94	10.0	100	Samuel Montagu, CA Securities	12:0
Egis	LUMBA	\$43.8m	29%	CS First Boston	7.4
Graboolast	Jun/94	\$13.5m	- 17	Checking)	9.0

parliamentary election in May, which it eventually lost to the Socialist party.

However, this spring has not the most propitious to tap equity investors. Falls in bond markets and in the US have dampened equity throughout world.

The allure of eastern Europe's Line I faded I.d. Warsaw, Prague and Budapest all plunged from the dizzy heights they reached in February and March, proving that region's bourses can submerge gs wall in the same

The BSE index, which leapt 78 per cent in a month to an all-time high of 2,190 on February 2, has since fallen back by third. Nor month's three point increase in Forint st rates and rising yields nu government bonds well by learning denies for

86 why lim increased Million reason is the time it

takes for new issues to get to market. The boom at the start of the year powered the burst of new issues but the issues were only able follow after a timelag. Hungar-

lead time and issuers have to wait until the spring so that they can mean annual results investors. In spite of the worsening environment, and of the planned offerings derailed. "We were on the bullish market and technically in no we of stopping

said Mr Lotfi Farbott of the

ian transactions limit long

Austrian-owned broker, Giro-Credit. "There is a loss of prestige if you pull out." Moreover, all the issues were fully subscribed and only one, placing of Fotex, was scaled back, from planned

\$100m to eventual \$70m. Underpinning demand for are beenging markets funds set up III the peak of the equity boom. Foremost them 🖢 🔄 First Boston's \$200m Central European Growth Fund, launched

in February. Quantum, con-

trolled by the Hungarian-American speculator, Mr George Soros, has invested in an of the First Hungary Fund.

Other army investors include funds managed by Templeton, John Devell and Fidelity. "There are huge funds on the market. They have to spend the money and they buy everything," said **a** broker with a leading firm.

But the institutions say that they can take their time. "We not going to pour the money in," said Mr Janos Bartha. See First Boston Budapest. The CSFB fund plans to be only 60-70 per cent in after les les

clinching the ment Budapest, falling from unsustainable heights, cheap again. The Budapest market is valued at 14 times prospective and many if the see have been made # substan-

Egis, for instance, was sold at a p/e ratio of just 7.3. All of the main new issues, except for Fotex, are trading above issue

The prospect in further gains is limited in the immediterm, however, precisely They have siphoned off capital from secondary market. Turnover in marco will to a 1994 low last week and the testes remains testly in the AMOUNTAIN FRANCE

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### Thailand

The acquittal of Sia (Tycoon) Song, an influential stock market speculator has prompted Thailand's Securities and Exchange Commission to consider setting up a task force to investigate the trading of suspected share cheats. The Police Department's

economic crime suppression unit, which investigates the manipulation, is felt to be technically weak and too to political influence. The two-vear-old stock

market watchdog lost its first prosecution case when one of the local \_\_\_\_\_ which \_\_\_ always reluctant to find against the socially ell-connected – said last that there was insufficient evidence to show that Mr Song Watchararirong and eleven associates had ramped the price of Bangkok Bank of Commerce shares in 1992. The House of Representatives committee looking into stock market regulation has suggested a task force similar to Singapore's Commercial Affairs Department, which has

Month on month m Actual

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the power to subpoena

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### Venezuela

Venezuela's equity market gave a negative reaction M the new economic and monetary measures announced by the government last week, writes Joseph Mann in Caracas. The Caracas stock exchange lost more than 10 per cent in

announcement, which included controls on foreign exchange and well
the executive's assumption of extraordinary powers. Further had news for investors came last Thursday

following the

when the administration of President Rafael Caldera assumed direct control over the country's financial 47 per cent

of the bolivar since the start of the year has pushed prices of strong Venezuelan industrials down to the level of "penny stocks".

Over the first half of the year the Caracas stock index rose nominally by 24 per cent, however inflation remains problem and could reach well more than 60 per cent by the year end

 Emerging markets coverage appears daily on the World Stock Markets page

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### **CURRENCY MARKETS**

# Market watches for dollar support

at he a bumpy the thin week anxiously to see whether I countries come with a concerted plan of

Support for Unidollar.
While the release of Uni lalana market data on Friday will be closely with as usual, the prior focus will be on a plethora of important policy meetings

In Japan 👪 Bank 🖬 Japan branch managers meet today and tomorrow, the leader Open Markets Committee in III IIS meets tomorrow and Wednesday, the UK chancellor meets the governor of the Bank of England on Wednes-

FT GUIDE TO WORLD CURRENCIES

1

day, and the Bundesbank

cil the following day. Crowning it all II the GT summit which date in Harles on Friday and unitions use the weekend

The column of the dollar, and impact on financial markets and economic growth, will certainly in high on in agenda in Naples. But dollarbulls will in hoping for good news from the carter banks

before then. Mr Jim O'Neill, head of global research at SBC in London, predicts erratic trading. He says the market has convinced itself that the G7 will try to help the dollar, and is likely to react sharply to any

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Mr O'Neill key key how the market is positioned. market is probably reasonably square, he predicts that the della will trace in a DM1.56-DM1.61 while it could fall as low as TM against The

The market will be for class evidence that industrial nations - prepared in take and concerted measures le bolster the dollar. Some have riled the prospect of co-ordinated interest rate changes.

The chances, however, are slim. In particular, few analysts would bet on the FOMC

The table below gives the latest evelable rates of exchange (nouncied) against four key currencies on Friday July 1, 1984 , in some cases the rate is nominal. Market rates are the average of buying and setting rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign ourrancies to which they are tied.

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Mr Alan Greenspan, the chairman, and inflation

Mr Thomas, strategist L Markets, "Although dilling does not help, this is much product ill expectations about Japan and Germany. To be may all the raising US alone will change these expectations and only risk harming a ting economy." The Bank of Japan has

repeatedly said that it is not planning to cut its discount rate from 1.75 per cent. While the Bundesbank may be more keen to cut rates, it is likely to

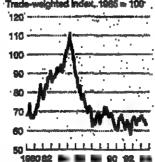
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Trade-weighted Index, 1985 = 108 120 ----



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# Schroder Japan Growth Fund ple

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applications and main the Placing will in full. Valid applications under the Offer for Subscription will be all the second in the following the Definitive and the second for Ordinary Warrants are expected to be despatched on Friday 8th July 1994 and dealings are expected to commence separately in the Shares and the Warrants on Monday 11th July [ Applicants with and prior to receipt of the little at their own risk.

	Applications for Shares									
Applications received	up to fulfill	5,001 – 49,999	50,000 and over							
by 17th June 1884	100%	100%	100h							
by 2002 June 1704	100%	90%	80%							
June 1994	19099	80%	74.5%*							

applications for 1,000,000 places and over have a fine and 74.23%,

Buffress to applications are to applications which are valid or treated as valid in with Terms and Conditions of Application and which, in the large l been rejected. All allocations are subject in the Terms and Conditions of Application contained in Listing Translated 44 7th June 1994.

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TE CLEWS BOOK MAKE

### WORLD BOND MARKETS: This Week

### NEW ORK If the Federal Reserve falt inclined to intervene on behalf of the battered dollar with an interest rate rise, tomorrow's Federal Open Market

Committee meeting would be the time to do it. More likely, though, is that the two-day meeting will end without event as policymakers dwell on the state of the US economy, in particular whether the spring lull was followed by a rebound in June a situation far more likely to prompt monetary tightening in due course.

While the dollar continued its collapse against the yen last week, its trade-weighted index remained generally

Nor does the Fed seem likely to be panicked by higher commodity prices. Dry weather in the mid-west is one factor behind the rising commodity prices index: as Donaldson Lufkin & Jenrette pointed out, tool, "but it is difficult to find any examples of higher

# nark yleid curve (%)\* Month ago: -16 years 20

Richard Waters

interest rates prompting precipitation" The event of the week for the bond market is likely to be Friday's employment report generally expected to be up by around 250,000 but some estimates put the rise at as much as 350,000. A figure at the top end of that range could well set the clock ticking on the next interest rate rise (the

following FOMC meeting

comes on August 16).

# International economic

developments, rather than domestic fundamentals, are likely to dominate the fortunes of the gilts market this week.
With meetings of the Federal Open Market Committee, the Bundesbank council and the G7, traders will be looking to see if the dollar's recent weakness leads to any co-ordinated changes in Wednesday's monthly meeting of the chancellor and the

LONDON

interest rates. However, governor is not expected to lead to any rate change. Last week's trading was again volatile, with a Wednesday rally on the successful floating-rate note auction, followed by a plunge on Thursday as the markets absorbed disappointing inflation implications in the purchasing managers index According to Mr Peter Feliner, gilt strategist at NatWest Markets, the current situation has "very much the

git ying converted 5 years 20

Philip Coggan

momentum. The best one can say is that it is in a Economic data this week could create some inflationary concerns. While the annual rate of MO growth in June is expected to fall, it will still be well outside the government's 0-4 per cent monitoring range.

The consensus is that the annual rate of manufacturing production growth will drop from 3 per cent in April to 1.6 per cent in May.

### FRANKFURT

The scene is set for a volatile week in the bund market. Sandwiched between the Federal Reserve meeting ou Tuesday and Wednesday and the G7 session on Priday comes the meeting of the Bundeshank's policy-making council on Thursday.

This is the penulth seeting before the summ break and possibly the last opportunity for the central bank to deliver a cut in the discount rate; the July 21 meeting will be taken up with the annual review of money

Ms Aligon Cottrell of Midland Global Markets Research thinks that in the context of foreign exchange market turnoil there is a chance of a co-ordinated move on interest rates - with the Fed raising rates while the Bundeshank does the opposit If both move by % percentage point the impact would be "economically insignificant but psychologically important," she says.

# Benchmark yield curve (%) 1//At - Month ago com

David Waller

16 pp 26 Following last Friday's

weaker than expected west German industrial output figures, this week's manufacturing orders are likely to confirm the pattern of a flattening recovery path, says Mr Adolf Rosentock at the Industrial Bank of Japan in Frankfurt

news for the bunds, but the market has long stopped being driven by domestic

### TOKYO

Japanese government bonds have failed to react to the appreciation of the yen, which is usually seen as a support factor for the market since a stronger currency depresses imported inflation

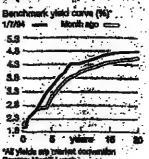
Instead, investors have focused on a possible increase in supply due to the fiscally expansive stance of the new Murayama administration. The new government has

made clear it will continue to cut income taxes, while postponing the consumption tax increase, lobbled by the powerful Ministry of Finance. The government, however, is running Y2,000hn behind its minimum financing requirement for the curren business year, indicating the downward pressure on prices will increase later in the year.

Market participants this veek will be looking at the quarterly Bank of Japan's branch manager's meeting, and possible easing of monetary policy in reaction to the yen's record highs.

# Emiko Terazono

water to



Mr Lloyd Bentsen, US treasury secretary, has been calling for a co-ordinated the official discount rate by Germany and Japan, and a rise in US interest rates - to stop the dollar's decline. However, while short-term money market rates may respond to such a move, bond

denressed as investors remain

cautious over the possible

Capital & Credit / Graham Bowley and Emiko Terazono

feel of a market which is

unable to sustain upward

# Fear of increased issuance in Japan

Although it has not been hit as hard as other countries, Japan this year's worldwide tumble in bond prices.
Signs of economic recovery,

currency volatility, heavy supply of new bonds and political uncertainty have combined to push bond yields up by about 1.5 points since January to a high of 4.6 per cent last week. Evidence that the recession is at last coming to an end -the Bank of Japan's latest tankan survey showed the first upturn in business confidence for five years, and gross domestic product grew at an annual rate of 3.9 per cent in the first quarter of 1994 – has triggered fears of rising inflation.

But with most analysts expecting inflation to fall during the remainder of 1994 and growth expected to be less than % per cent in the year, the fears are hard to justify.

What investors in the Japanese bond market really fear is that economic recovery will be so strong that short-term interest rates are unlikely to fall much further and, more importantly, that the recovery will increase the supply of bonds from the corporate sector. "It is clear from the level of bond yields that the financial markets are pricing in a sharp recovery, while the economic

data only suggests a hottoming out," says Mr Eric Fishwick, analyst at IBJ Research. They are expecting this recovery to follow previous recoveries, which have been quick and largely investment-led," he says. "So for them, bottoming-out is synonymous

with recovery and will mean a surge in demand for capital." Fears of an oversupply of bonds have also been fuelled by Japan's political troubles. The resignation of Prime Minister Hata has led to a new socialist-led coalition government less committed to controlling the budget deficit.

It has pledged a further cut in income taxes to boost the economy, while postponing a planned offsetting rise in con-

government will have to increase bond issuance to finance the delicit. It is these concerns which

sumption taxes. The markets

have taken this to mean the

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have prompted bond dealers to mark prices down to such an extent, and hedge funds and foreign investors to sell JGBs. Overseas investors have also been tempted by the strength in the yen to sell Japanese

bonds and take profits. Equities have been one of the main beneficiaries of the sell-off in bonds, with investors attracted by the prospect of economic recovery.

Throughout the bond market decline, however, Japanese investors have been buying their own bond market. They are cash-rich and with so much currency volatility they really have to stay with assets denominated in yeu," says Mr Sanjay Joshi, chief economist at Daiwa Europe.

The recent rise of the yen should, in theory, offset some of these sources of weakness in the bond market. Its strength should represe inflation and is likely to hold back the fragile recovery, and so reduce the likelihood of a rise in interest rates. If the yen remains strong the Bank of Japan will come under increasing pressure to relax monetary policy.

There is usually a strong correlation between the strength of the yen and rises in the JGB market," said Mr Joshi. This time, however, that relationship seems to have

been broken. "After the recent appreciation there was no reaction from bonds, which means they are now vulnerable to any downward correction in the currency," he said.

The reason for this, analysis

say, is that investors think the current level of the yen is unsustainable so they prefer to liquidate their holdings of bonds and take profits now before the yen falls back again. Views about the outlook for JGBs are divided. Some analysts believe yields have risen too far and that as it becomes increasingly evident that a strong recovery is not immi-nent, a correction is inevitable. Mr Jim Vestal, economist at

furing the next two months. Other analysts think the market new stabilise as more domestic institutional inves-

Barclays de Zoete Wedd in Tokyo, predicts the benchmark yield will fall below 4 per cent

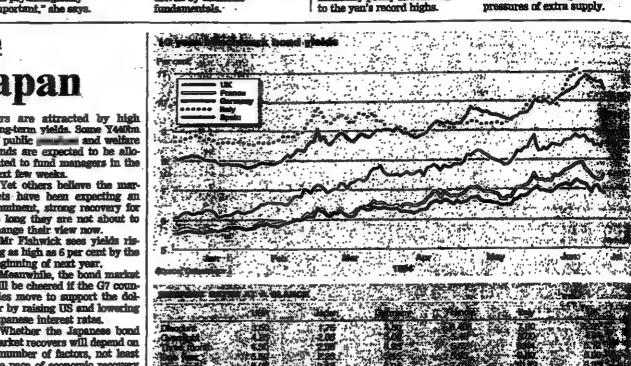
long-term yields. Some Y440bm of public and welfare funds are expected to be allocated to fund managers in the next few weeks.

Yet others believe the markets have been expecting an imminent, strong recovery for so long they are not about to change their view now. Mr Fishwick sees yields ris-

ing as high as 6 per cent by the beginning of next year,
Meanwhile, the bond market
will be cheered if the G7 countries move to support the dol-lar by raising US and lowering Japanese interest rates.

market recovers will depend on the pace of economic recovery and international sentiment. Worries about oversupply and the credibility of the new government's fiscal programme are likely to continue to depress the market and in the longer term, the strength of the yen will probably domi-nate. But as long as Japan's politics remain uncertain and the yen volatile its bond mar-

ket is unlikely = settle.





International / Antonia Sharpe

# Merrill Lynch races to top spot

The dramatic about-turn in . sentiment in fixed-income marhas been accompanied by a changing of the guard among the top eurobond houses.

charge up the league table from minth position in mid-1993 to top position, capturing almost 10 per cent of the mar-

According to data supplied by Euromoney Bondware, Merrill Lynch lead-managed the equivalent of \$18.50m worth of equivalent of \$18.6bm worth of eurobonds from January to June, compared with \$7.5bm at the same stage last year. In spite of difficult market condi-tions, total volume in the first half of this year only fell to \$1950m from \$210.6bm at the same them lest year.

supe stage last year.

News last week that Italy had appointed Marrill as the global co-ordinator of its \$4bn floating-rate note offering denominated in dollars, yen and D-Marks highlights the efforts the bank has made to expand the number of curvenexpand the number of currencies in which it can underwrite offerings. For example, Merrill recently arranged a 2200m

recentity arranged a 2200m offstring of 10-year eurobonds for Austria, its first eurosteding mandate since becoming a market-maker in UK glits earlier in the year.

Changes in personnel have also contributed to the higher profile at J. P. Morgan, up five places to seventh, at SBC, up from 15th to ninth place, and at ABN-Amro, the Dutch bank. at ARN-Amro, the Dutch bank,

TOP EUROBOND LEAD MANAGERS Mentil Lynch Goldman Sache CSFB/Oredit Sa | 9.54 80 7.31 2 6.92 52 14.08 8.44 44 10.32 4 4.36 25 7.34 5 4.34 52 10.33 4 4.34 57 16.91 7 3.95 31 8.62 3 3.05 31 7.02 3 2.22 31 5.15 3 2.1 42 7.40 100.0 1042 210.62 8.50 5 4.34 6 4.34 12 3.14 10 3.34 15 2.45 6 3.51 100.0 7 8.95 8 3.85 9 3.22

EUROBOND ISSUES BY CURRENCY										
1994° Ranjk	Currency	Total	No. of	1993* Plank	intel (ndll) better	No. of				
1	U3\$	79,61	367	1	75.34	374				
2	Yen	26.29	209	- 6	20.88	92				
5	Sterling	20,49	88	3	25.20	119				
4	FFr	17,78	62	4	22.24	88				
5	D-Mark	14.94	56	2	30.83	82				
6	CS	9.27	71	6	17.88	96				
7	. Lire	9.10	70	8	5.90	39				
8	Guilder	6.90	30	7	6.31	27				
9	Equ	4.93	19	9	3.23	. 9				
10	A\$	2.84	- 36	10	2.05	24				

which has risen from 23rd =

Mr Jon Greenwood, who left Goldman Sachs in February to join ABN-Amro as head of syn-dicate and new issues, says the increased primary market busi-ness has come about as a result of the unification of the

The bank also wants to establish its reputation as a multi-currency house rather than a domestic guilder operat a. Mr Greenwood says

the bank's target was to become one of the top dozen

eurobond houses. Among the casualties in the first half were the German banks, with Deutsche Bank banks, with Deutsche Bank falling from first position to sixth, and Dresdner Bank, which has slid a staggering 13 places to 18th. Syndicate managers blame Dresdner's performance on its dependence on the D-Mark sector, which only accounted for 7.7 per cent of total volume in the six months. total volume in the six months, down from 14.6 per cent in the

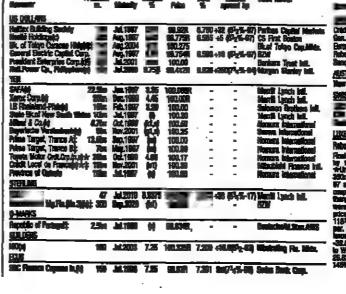
nese securities house, has er mom eren eo n place, though over-dependence on the yen would be a poor excuse since the currency accounted for 13.5 per cent of the total volume, up from 9.9

Salomon Brothers has failed to build on the success of last year when its return to the top 10 confirmed its rehabilitation with borrowers and investors after the Treasury auction

Its fall from seventh to 14th position reflects a cartain degree of bad luck, since volatile market conditions scuppered mandates from Hungary and the Japanese Developme Bank, while hopes of doing a deal for Turkey were blown by a deterioration in investor seniment towards the country.

However, some observer have interpreted Salomon's lower profile as a confirmation that, despite its recent efforts to promote itself as a long-term player, it is still a trading house at heart and therefore reluctant to pitch for business in a bear market.

Syndicate managers are hopeful that the second half of the year will continue to produce the large mandates which have persisted despite the fall-out in the bond markets. Although several frequent borrowers, such as the Province of Ontario, are well ahead in their funding programmes, others are not yet in such an envi-able position.



scial markets: the

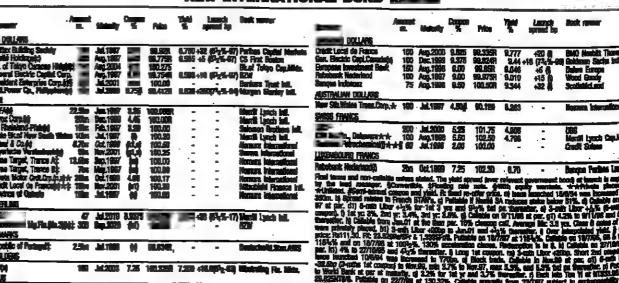
The most notable develop-ment has been Merrill Lynch's per cent last year.

fixed-income, equity, deriva-tives and treasury departments

into one group.

first half of 1998.

NEW INTERNATIONAL BOND



# **Pessimistic** mood likely to depress prices

**NEW YORK** 

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With pessimism running so high on Wall Street, stocks are likely to stumble again this week, whether mot the Federal Reserve decides to lift short-term interest rates.

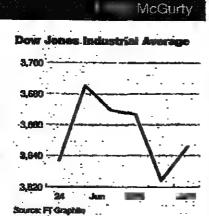
Even though the economy, inflation and corporate earnings remain favourable, the money at the margin is in a nasty mood," says Mr Byron Wien, Morgan Stanley's portfolio strategist, in a recent investment advisory.

But bearishness has reached such a crescendo that Mr Wien and other market observers are taking the contrarian view that the market is poised for a sustained rally. "The balance of power, we hope, will shift back to long-term investors over the summer."

In the meantime, investors will have to be quick on their feet when they return from the long Independence Day weekend tomorrow morning. The central bank's Federal Open Market Committee is scheduled to begin a two-day policy-making session in Washington. It is anyone's guess whether the year's fifth move to tighter money is imminent.

For Wall Street, it appears to be lose-lose situation. If the Fed stands pat despite the dollar's steady erosion. share prices are likely to slide in sympathy with the plight of the

With the US currency hitting a series of record lows against the ven last week, the bellwether Dow Industrial index could only manage a net gain of 10 points last week, To a lesser degree, the subdued



trading was a reaction to the perception of mounting inflationary pressures in the manufacturing sector. A lack of response to these signals by the Fed could drive long-term bond yields even higher, especially with June employment data, the month's most important economic release, and on Friday. Share prices, in turn, would probably swoon.

On the other hand, if the Fed opts for higher rates, more investors are likely to pull out of equities in favour of cash, fearing an autumn of cooling economic activity and withering corporate earnings.

Mr James Solloway, senior vice-president Argus Research in New York, one of a minority of Wall Street analysts who believe the Fed will hold off on higher rates. He says the central bank in reluctant to link monetary policy with currency fluctuations, and the the perception that a surge in inflation is on the horizon, despite the recent upturn in commodity prices. However, he admits to uncertainty

whatever tack emerges from the FOMC Right now, this market is driven by emotions, not by the fundamentals,"

on how the market will react to

says the Argus analyst.

# Third quarter starts with

LONDON

# modest rally

The stock market is looking forward to this morning - effectively the start of the third quarter of 1994 - with more optimism than seemed possible only week ago. Indeed, it could hardly be worse than the April-June quarter, but there was more than that to the rally in equities at the end of last week. So far, the rally has been modest

enough and concentrated largely on the FT-SE 100 list; the Mid-250 stocks have been on the sidelines, sometimes to their advantage. Charterhouse Tilney Securities says the fall of around 0.8 per cent in the Footsie 100 in June with falls 42 per cent and 850 and FT-SE Actuaries Small Cap indices respectively.

Markets across Europe have begun to move out of the shadow of the US dollar. For the first time for many weeks, European bonds, and therefore equities, held steady as the dollar/ yen rate was hammered lower and US Treasuries fell away. It mot easy to see exactly what the stock market wants from the G7 meetings this week. But fears that the dollar will only be saved by brutal increases in US interest rates seem to have abated. "If something can be done about

the dollar, then this will ensure the chances of stabilising markets . . . "
says NatWest Markets. Other analysis might express themselves more strongly. If the dollar can be stabilised, bond markets will settle down, and the way will be open for UK equities, in particular, to respond to recovery in the economy and in corporate

earnings and dividends.

# Byland FT-SE-A All-Share Index 1,440 24 . Jun 1

S.G. Warburg calculates that "top-down" corporate earnings, having grown by 50 per cent last year, seem set to increase by I further 30 per cent

The flow of new issues and similar share placings continues to mop up a good part of the liquidity hanging over the stock market. Although liquidity is likely increase now that fund managers can move into third-quarter planning, the new issue flow will have to slacken if shares are to stage a significant rally.

Unfortunately, there seems little sign of this. Recurrent rumours that the Kuwaiti authorities would like to place the stake in British Petroleu together with Enterprise Oil's purchase of the Lasmo shares held by Philips & Drew Fund Management, suggest wealth of potential placing activity in the background.

This week may be spent waiting for the meeting of the Group of Seven. ministers but there are signs that some fund managers are unwilling to let UK shares drift any further.

One overseas fund tried, but failed, to put a sizeable sum into the London market last week. Market traders expect the same fund to reappear this k and will be watching eagerly

ahead of sales of stakes in the

utilities planned for the next

Foreign institutions, led by

underwritten 47 per cent of

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Baring Brothers, have

the public offer and the

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A second tranche of

20 and 25 per cent is to be sold

offering on foreign exchanges

20 per cent and 30 per cent is scheduled for sale in the first

half of 1995, giving private

shareholders control of the

CURRENCIES

The final tranche of between

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later this year.

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12 months.

# International offerings

# Italian investors show signs of issue fatigue

the summer holidays for many Italian companies. But this year it also marks the end - or nearly the end - of a frenetic four or five weeks of globetrotting presentations by Italian executives, trying to sell their new \_\_\_ il shares iii international investors.

The surge in activity on the Milan stock market, prompted by the victory of Mr Silvio Ber-lusconi's right-wing political grouping in March's general election, was the man life and a second share offerings by Italian com-

Such has been the density of Italian issues - analysts more than L10,000bn in being raised on the market in July - that was maken may well have collided at big London - Frankfurt banks during June.

Among the biggest forthcoming issues is the L1,650bn sale of shares in Cariplo, probably world's biggest savings bank, which is seeking stock listing for the first time, while in the LA,800bn, in the ina, the state-owned insurer. Italy's privatisation so

However, evidence is beginning to "issue "issue in igue" on the part of retail investors in Italy. The public begin trading on Wednesday, oversubscribed, but enthusiasm was muted compared with previous privatisations. Advisers put part of the blame on the sheer size of the sale.

The smaller issue by Finanza Futuro, Mr Carlo De detti's financial services operation, which has so far raised about L130bn, had to be relumi u account u disappointingly demand by the Italian public.

However, turbulence on

world markets Me not substantially dampened international fund managers' www. in Italian share issues so far. partly because the strong performance of the market this year, particularly relative to other markets, has buoyed

In addition, "Italy was completely under-owned by UK fund managers," the the start of the privatisation programme, according to one fund

manager. However, In the second among Italian investors is also beginning to become apparent in Europe and the US. "People have overdosed on European paper in general and on Italian names in particular," said one

Salomon Brothers, lead manager of the 200m share international tranche of the Cariplo

has decided against targeting the Ul specifically, given the relatively small size of the international portion and the relatively unenthusiastic reception to earlier issues. The deal has a 144a option, allowing placement among US institutional investors, but

there will be no US roadshows. Insurance and bank are likely to suffer most, given that the financial sector is falling out of vogue. The pulling of Mediobanca's L1,500bn rights issue last month was viewed as a bdd omen by some international investors.

But the more pressing question for the Italian government is whether international investor appetite will 🐷 sufficient to help consume the much larger state sell-offs to come.

The results of the Ina sale and early trading in the issue this week - should give indica-tions of the prospects for sell-ing shares in Sect, the seats telecommunications company, and Enel, the electricity generator, in the autumn.

Stat seems likely to attract the strongest interest, given the enthusiasm for telecommunications, although the stock is already readily available in the secondary market.

> Andrew Hill and Tracy Corrigan

### OTHER MARKETS

### **AMSTERDAM**

Océ-van der Grinten, the office equipment maker, will kick off the Dutch second-quarter reporting season on Friday when it publishes results for the three months to May 31.

writes Ronald van de Krol. The figures are expected to underline the company's return to the path of stronger growth first detected in the fourth quarter of last year and confirmed in the first quarter of this year, when net profit jumped by more than 60 per

In the latest quarter, Océ is again expected to show w marked rise in net profit compared with the particularly

INTEREST RATES

weak second quarter of 1998, when results plummeted by

47 per cent. The beleaguered stock exchange will be hoping Océ-van der Grinten's highe trend will be matched by better results from other Dutch companies reporting second-half figures over the

next four weeks. The bourse has been dragged lower so far this summer by the decline in worldwide equity markets and has given up all the gains recorded early

is particularly weak because of the steady fall in the value of the dollar, a factor that tends to augur badly for the profits of many Dutch

### FRANKFURT

The Bundesbank Council's regular meeting on Thursday will provide a focus for trading

URS thinks that in the event of further dollar weakness. speculation about a supportive gesture by Buba is likely to

"We feel, however, that domestic factors and concerns about its credibility should prevent the Bundesbank from performing such a step too

> UBS adds that since the last cut in headline rates, inflation has only slowed by 0.2 percentage points and M3 growth argues for caution. Generally positive

statements are expected from issue, and Phillip Holzman at their annual meetings on Wednesday, and from

Meanwhile, the market will be eagerly awaiting news of lucrative contracts for German companies as Li Peng, the Chinese prime minister, makes an official visit to the country

Mannesmann on Friday.

### LISBON

The first 20 per cent tranche of Cimpor, the state cement group is to be publicly offered on the bourse today. The offer is seen as a test of investor interest in Portuguese privatisations,

### MILAN

General Electric of the US is to launch a public bid tomorrow for some 10 per cent of stock held by investors, other than the Italian state holding ENI, in its Nuovo remaining 53 per cent has been underwritten by Portuguese Pignone turbines subsidiary.

GE will offer L7,149 per share, compared with Friday's closing L7,065, with the bid ending on August 17. Last month, the US group bought 99.83m Pignone shares,

equivalent to 89.33 per cent of its capital, from RNI, which held on to 20.25 per cent. Under Italian law, GE is obliged to make a public offer

for the remaining 10.42 per cent, which is widely dispersed.

### PARIS

Remy Cointreeu is due to report final results this week and analysts are uniformly upbeat about the prospects.

The Estimates Directory quotes a consensus forecast of a 22 per cent rise in net profits. That would be in line with the performance at six months when profits were up 24 per cent.

Despite slower growth in the third quarter, due mainly to tax changes in China. turnover for the nine to December was up 6.2 per cent. The last quarter traditionally benefits from higher sales in south-east Asia, particularly over the Chinese

EMERGING MARKETS

### TOKYO

**Equity** investors remain focused on war softhe yen, writes Emiko Terazono. While US government officials have called for a concerted move on interest rates along with Japan and Germany, the Japanese cabinet would not amount itself last week to lowering the official discount rate, currently 📰 🗉

record low of 1.75 per cant.
With the III FOMC meeting and the week. volatility in the currency markets may increase. If the yen rises further, the Nikkel index may test the June low of 20,168.53.

Compiled by Michael Morgan

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# Financial markets: the first half of the year at a glance

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### Li Peng's trip on the Rhine



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Li Peng, the Chinese prime minister (left), will attend a joint Chines German economic conference in Bonn with Chancello Helmut Kohl at the start of a week-long

federal republic, including trips to east Germany and Bavaria, and a boat trip down the Rhine.

Caricom summit: Leaders of the Caribbean Community (Caricom) hold their annual summit in Barbados (to July 7). There is growing concern at the economic impact on their small economies of the North American Free

Trade Agreement (Nafta). Some members, led by Guyana, Jamaica and Trinidad and Tobago, are hoping to be listed by the US administration as eligible for Nafta membership. But the issue appears to be splitting the 20 year-old commu-nity, as other members think that all Caricom members, should seek links with Nafta.

French President François Mitterrand launches a French trade and diplomatic initiative in South Africa, starting with talks in Cape Town with Nelson Mandela. His visit is the first by a western head of govern ment since Mandela's inauguration as president. Mitterrand, accompanied by over 100 officials, businessmen and journalists, will also become the first foreign leader to address the South African parliament for over 30 years.

UK economy: The release of June's M0 data, will be watched for signs of inflationary pressures. The Bank of England's favoured inflation target, M0 has been growing well outside the government's target band of 0.4 per cent in recent months. Markets expect today's figure to show a slowdown, with the annual rate of growth predicted at 6.6 per cent in June, compared with 7.1 per cent in May.

UK building societies: The Treasury is expected to reveal some time this week the results of a review of building society law which it announced earlier this year. Interest in any relaxation of merger and takeover rules for societies has been sharpened by Lloyds Bank's £1.8bm (\$2.73bm) cash bid for Cheltenham & Glouces

Holidays: US (Independence Day).



# TUESDAY

### Delors pays a visit to Bonn

Jacques Delors and the European Commission visit Bonn for a joint session with the German cabinet, marking the start of Germany's six-month presi-

dency of the European Union. At the top of the European Union's n-tray is the question of the successor to Mr Delors. It is hoped a candidate acceptable to all will emerge at the emergency summit called on July 15.

Bosnia: Foreign ministers of the US, Russia, Britain, France and Germany are expected to confer in Geneva over ways to implement their newly formulated partition plan for Bosnia by putting pressure on the warring parties. The map has already been criticised by Serbs and Moslems, but interna-tional negotiators are describing it as the last chance to avoid all-out

### Puffing into the st



The last set of accounts for British Rail as a nationalised organisa tion, for the year to March 1994, appear today. BR, which spent 45 years under government

was formally privatised on April 1 though it will take another two to three years to put the programme into effect. The latest figures are expected to show ome success in holding down costs. leading to a drop in the level of government subsidy.

Federal Reserve governors and regional presidents meet today and tommorrow to discuss US monetary policy. Many analysts expect the Fed to react to dollar weakness and signs of domestic economic strength by rais-ing interest rates again, either after the meeting or following key employment figures on Friday.

Full team abond: Britain's Trades Union Congress, the umbrella for organised labour, stages a one-day conference in London to discuss full employment. It is being held to mark the 50th anniversary of the Churchill wartime coalition government's landmark White Paper on the subject.

wants to see a renewed national commiliment to the idea of full employment. Tokyo's District Court is due to hold the first hearing in the case of former Liberal Democratic construction

TUC general secretary John Monks

minister Kishiro Nakamura. He is charged with taking a Y10m (\$100,000) bribe from Kajima, a construction сопрепу.

FT Survey: Marmara Region of

Holidays: Algeria, Venezuela

# WEDNESDAY

Clinton goes to Latvia

President Bill Clinton holds talks with the leaders of all three Baltic republics on ways to promote economic reform and prospects for trade and investment US officials say the trip is a "highly

symbolic" affirmation of the US's com-mitment to the independence of the Baltic countries. Clinton will meet Latvian president Gentis Uhnanis, and will then be joined by Estoni President Lennart Meri and Lithusmian President Algirdas Brazauskas.

Peace prize: Israel's prime minister Yitzhak Rabin, foreign minister Shi-mon Peres and Palestine Liberation Organisation chairman Yassir Arafat are due to be awarded the 1993 Felix Houphouet-Bolgny Peace Prize at Unesco headquarters in Paris.

German unemployment statistics for June are released. They should see a further sessonal reduction in ployment, although the underlying trend remains negative.

UK economy: May's output figures are expected to provide further evidence that the UK recovery is spreading into the industrial sector. The consensus is that industrial production. and manufacturing output will rise 0.2 per cent on the month, after surging unexpectedly in April. Measured on a yearly basis, manufacturing output is expected to be 1.6 per cent higher than last May.

Pay talks will be held in London for 1.5m local government workers. This will be a key test for the UK government's public sector pay bill freeze.

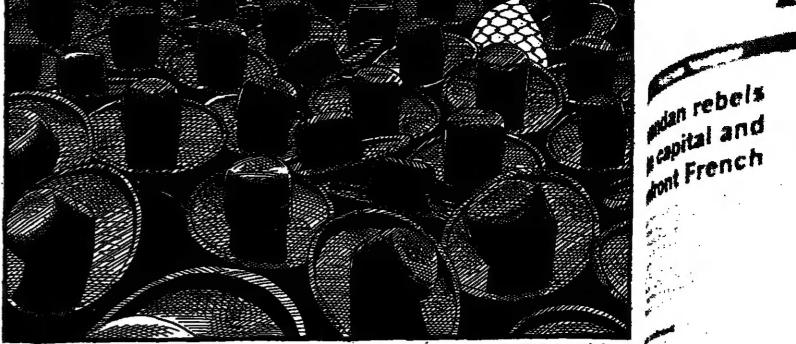
Salercom: Sotheby's in London this morning is offering The Immaculate Conception by Velásquez (detail below) in its auction of Old Masters. The attribution of this previously unknown painting has divided the experts, but Sotheby's is confident enough that it is by the Spanish 17th century artist to put a 26m estimate upon it.



Also today, Christie's in London is auctioning a 3,000-year-old Assyrian sculpture, discovered painted-over in the tuck shop of a school in Dorset. It is the missing piece of a bas-relief from the palace of Ashurnasirpal II (883-859 BC) and may fetch £1m.

Goff: The Scottish Open begins at Gleneagies (to July 9).

ECONOMIC DIARY



The capital of Palestinian self-rule? Mr Yssair Arafat in expected to aweer in his 24-member cabinet in Jericho tomorrow, after delays due to security fears

# THURSDAY

### Scott inquiry resumes

Lord Justice Scott's inquiry about illegal exports of British arms to Iraq resumes briefly in public in London to hear evidence from Paul Henderson, former managing director of Mairix Churchill, the machine tools manufacturer. He has asked for a hearing in public to respond to allegations made against him by the former trade and ience minister Lord Trefgarne at an earlier oral hearing. The Scott inquiry report is due to be published at the end of the year.

South Africa's vice-president, F.W. De Klerk, begins an official visit to Germany, his first since the transition to majority rule in South Africa and the election of Nelson Mandela.

its regular fortnightly council meeting, although no significant moves on interest rates are expected at the moment.

Paroase election: Inhabitants of the Faroe islands, a self-governing province of Denmark, vote for their perliament, the Legting. The poll, which comes in the midst of an economic crisis, was called when the aitting coelition government of the Social Democratic Party, the Republican Party and the Home Rule Party, lost its majority in May.

Pampions Bull Run: A group of bulls are released to run through the narrow streets of the Spanish town, with the foolbardy racing ahead.

# 8

# FRIDAY

**Q7 descends on Naples** 

Leaders of the Group of Seven big industrialised nations gather in Naples for their annual economic summit. Recent turbulence on financial markets will colour Saturday's discussions on the world economy, although the meeting is scheduled to focus on how to reduce persistently high unemploy-

North Karea and the US begin. high-level talks in Geneva in an attempt to resolve the dispute over Pyongyang's nuclear programme. The US is expected to offer some form of diplomatic recognition and economic aid in return for North Korea allowing full international inspections of its nuclear facilities.

Mad cows and Englishme Germany's Bundescat, the upper house of parliament, is due to vote on whether to approve the government's proposed six-month ban on British beef because of mad cow disease BSE.

nehenge - The Great Debate: The monument's future is discussed by international experts at the Queen Elizabeth II Conference Centre. Transport minister Steven Norris, will face several learned professors in road economics and engineering, including world experts in engineering tunnels. Backed by English Heritage they are arguing for an ambitious road tunnel eneath the Stonehenge stones while the government is proposing a cheaper

# 9-10

WEEKEND

# Ukrainian election run-off

Sunday sees the run-off round of the-Ukramian presidential election: The top two contenders are President Leonid Kravchuk and Leonid Kuchma In the first round, the incumbent, popular with west-Ukrainian nationalists, had 38 per cent of the vote to the 31 per cent of the eastern missile plant manager, who is urging friendlier ties

Public Services Day is celebrated in the UK on Saturday by the main trade union grouping, the TUC. It is organising marches and rallies in protest at the government's public sector pay hill freeze. Among other events. public sector workers will swell the ranks at the traditional Durham Min-

The fragile truce between Bosnia's warring parties is expected to be extended following its expiry on July 9.

Cricket: Warwickshire play Worcestershire in the final of the English county knock-out cup at the Lord's ground in London.

**US president** Bill Clinton arrives in Germany on Sunday, for his first official visit following the G7 summit. He will be spending Monday in Bonn and Tuesday in Berlin, before flying on to Warsaw.

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Compiled by Patrick Stiles and Robert Anderson: Fax: (+44) (0)71 873 3194.

# Other economic news

Monday: As the world's leaders prepare for the G7 meeting on Friday, they can mull over a feast of policy meetings and statistics this week.

In Tokyo, the Bank of Japan's branch managers meet today. Meanwhile, May's trade figures are expected to show a small fall in the Japanese trade surplus - though analysts doubt that this will provide much support for the dollar against the yen. Tuesday: After French unem-

ployment hit a record high last week, output figures today should be more comforting for the government. Analysts expect to see a small monthly rise, suggesting the recession has bottomed out. Meanwhile, German manufacturing figures, expected today or tomorrow, are likely to also point to a slow industrial pick-up, ahead of the Bundesbank's council meeting on Thursday. Friday: A spate of US data at the end of the week will be

watched with interest by the markets in light of any deci-sion that the FOMC may have taken on Tuesday to raise US interest rates. June's non-farm payroll is expected to show a strong 250,000 rise on the month, while May's consumer credit is expected to fall.

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- ACROSS

  1 Producer of teas got up refuga for birds (8)

  5 Sort of egg, not bird's -
- unless it's a woodcock? (6) 9 Bird with red hat has points 10 Bird with no tail, one with a
- lot of heads, perhaps (6)

  12 Soccer war designed to repel birds (9)

  13 Southern printer's bird in Virgo (5)

  14, 19 Bird showing white flags?
- 16, 11 Scottish dances include Chinese food for noisy hirds

- 30 China broken by little birds
- an old sucker (7,4)
  22 A brace of lovebirds? (5)
  23 A weight on a plate with no particular key (6)
  26 Sugar producer eyed giant or bird (5)
- 1 What some birds utter is very ss Bird or birds fight
- 4, 21 across Bird or birds fight traffic noise first (7-4)
  6 Barks sounded like birds -- to move in a spiral (9)
  7 Schemes benefiting survivors moving into nest (3)
  1 Indian chief, one entering fruit, a had hat (8)
  11 See 16
  15 Tailless bird, enough trouble pert door (9)

altar? (5)

- Chinese food for noisy hirds

  19 See 14

  21 See 4

  24 Heart of bird taking his turn with sort of bull (5)

  25 Have tun with a bird at a fight (4.5)

  27 Ringo's turned carnivore (6)

  28 Gaps in north-west give measure of bird (4.4)

  29 Leave bird's tail on new trees

  15 Tailless bird, enough trouble next door (9)

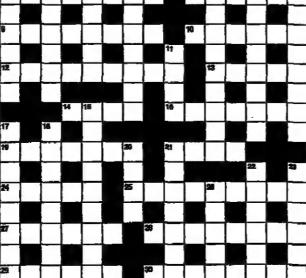
  18 Bird I must have seen turned round by people or things (8)

  20 See 21

  21 Bird with her nuptial symbol, an old sucker (7,4)

  22 A brace of lovebirds? (6)

  23 A weight on a plate with no narricular key (6)



# **MONDAY PRIZE CROSSWORD**

No.8,496 Set by CINEPHILE A prise of a Pelikun New Cassic 390 fountain pen for the first correct solution opened and five runner-up prises of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 14, marked Monday Crossword 8,495 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL Solution on Manday Ind-19

Winners 8,484

Mrs S. Argyle, Oxford R. Bayliff, Edinburgh J.S. Beverly, Epping, Rasex J. Craig, New Malden, Survey Mrs V. Harman, Brighton, Sussex B.R. Lawrence, Frettenham, Norwich

CENTRE COURTING
NEE E C O G C L
AGASSI NEGATIVE
M T T T A R C A
PEEL GRAND SLAM
I N C A S P E S
OPENHANDESLY
N D A S L A I E
SINGLEMINDED
G R R V D Q U
READ REVEL BLOC
A Z P S N M A A
SEEDLESS SEXTET
S B E O S E

Solution 8,484

# If you need connections in Asia, talk to a local.



SINGAPORE AIRUNES

Of broking and jobbing the Pelikan's fond, See how sweetly he puts your word onto bond-Selikan O

JOTTER PAD